

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 16, 2011

NEW ISSUE - BOOK-ENTRY ONLY

**RATING: Moody's:
(see "RATING" herein)**

In the opinion of Gibbons P.C., Bond Counsel to the Borough, assuming continuing compliance by the Borough with certain tax covenants described herein, under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act. In the case of certain corporate holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings" of certain corporations. See "TAX MATTERS" herein.

**\$1,110,000
BOROUGH OF PROSPECT PARK
COUNTY OF PASSAIC, NEW JERSEY
GENERAL IMPROVEMENT BONDS, SERIES 2011
(CALLABLE)(BANK-QUALIFIED)**

Dated: Date of Delivery

Due: April 1, as shown below

The \$1,110,000 General Improvement Bonds, Series 2011 (the "Bonds") of the Borough of Prospect Park, in the County of Passaic, New Jersey (the "Borough"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearinghouse transactions, which will act as securities depository for the Bonds. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Direct and Indirect Participants (as defined herein), which will in turn remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on April 1 in each of the years set forth below and interest on the Bonds is payable on each April 1 and October 1, commencing October 1, 2011, in each year until maturity. See "DESCRIPTION OF THE BONDS" and "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are being issued pursuant to the Local Bond Law of New Jersey, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended, various ordinances and a resolution of the Borough, to permanently finance specified general improvements.

The Bonds are general obligations of the Borough and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal thereof and the interest thereon. The Borough is authorized and required by law to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

The Bonds are subject to redemption prior to their stated maturities, as set forth herein.

MATURITIES, INTEREST RATES AND YIELDS

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2012	\$ 70,000			2018	\$70,000		
2013	70,000			2019	115,000		
2014	70,000			2020	120,000		
2015	70,000			2021	125,000		
2016	70,000			2022	130,000		
2017	70,000			2023	130,000		

The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Gibbons P.C., Newark, New Jersey, Bond Counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about April 7, 2011.

**BID PROPOSALS WILL ONLY BE ACCEPTED BY ELECTRONIC SUBMISSION
VIA BIDCOMP/PARITY COMPETITIVE BIDDING SYSTEM
UNTIL 11:00 O'CLOCK A.M. (NEW YORK CITY TIME) ON THURSDAY, MARCH 24, 2011**

Dated: March ____, 2011

This is a Preliminary Official Statement "deemed final" within the meaning of, and with the exception of certain information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission, and is otherwise subject to change in accordance with applicable law. The Borough will deliver a final Official Statement in compliance with Rule 15c2-12. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

**BOROUGH OF PROSPECT PARK
COUNTY OF PASSAIC
BOROUGH HALL
106 BROWN AVENUE
PROSPECT PARK, NEW JERSEY 07508**

GOVERNING BODY

MAYOR

Mohamed T. Khairullah
Term Expires December 31, 2014

BOROUGH COUNCIL

<u>MEMBER</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Samir Hayek	Council President	December 31, 2012
Andre L. Greer	Councilperson	December 31, 2011
Felicia Ortiz	Councilperson	December 31, 2011
Esther Perez	Councilperson	December 31, 2012
Cristina Peralta	Councilperson	December 31, 2013
Adnan Zakaria	Councilperson	December 31, 2013

BOROUGH OFFICIALS

BOROUGH CLERK
Yancy Wazirmas

CHIEF FINANCIAL OFFICER
Stephen P. Sanzari

CONSULTANTS AND ADVISORS

BOROUGH ATTORNEY
Denis G. Murphy, Esq.
Morristown, New Jersey

BOROUGH AUDITOR
James J. Cerullo, C.P.A., R.M.A.
Ferraioli, Wielkotz, Cerullo & Cuva, P.A.
Pompton Lakes, New Jersey

BOND COUNSEL
Gibbons P.C.
Newark, New Jersey

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**OFFICIAL STATEMENT
OF THE
BOROUGH OF PROSPECT PARK
IN THE COUNTY OF PASSAIC
NEW JERSEY
RELATING TO
\$1,110,000
GENERAL IMPROVEMENT BONDS, SERIES 2011**

INTRODUCTION

This Official Statement (the "Official Statement"), which includes the cover page hereof and the appendices attached hereto, is furnished by the Borough of Prospect Park (the "Borough") in the County of Passaic (the "County"), a public body corporate and politic of the State of New Jersey (the "State"), to provide certain information relating to the Borough and the \$1,110,000 General Improvement Bonds, Series 2011, dated the date of delivery (the "Bonds"), including their general description, the purposes of the issue, a summary of borrowing procedures, certain matters affecting the financing, certain legal matters, historical financial and economic information on the Borough and other information pertinent to the Bonds. This Official Statement should be read in its entirety in order to make an informed investment decision. This Official Statement has been executed by and on behalf of the Borough by the Chief Financial Officer.

This Preliminary Official Statement is "deemed final," as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), but is subject to (a) completion with certain pricing and other information to be made available by the successful bidder for the Bonds, and (b) amendment. This preliminary Official Statement, as so revised, will constitute the "final official statement" within the meaning of Rule 15c2-12.

All financial and other information presented herein has been provided by the Borough from its records except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the Borough. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

Interest on the Bonds is calculated on the basis of a 30 day month and a 360 day year. Both the principal and interest on the Bonds will be payable in lawful money of the United States of America.

DESCRIPTION OF THE BONDS

Term

The Bonds shall be dated and shall bear interest from their date of delivery and will mature in the amounts and on the dates set forth on the cover page of this Official Statement. Interest on the Bonds is payable semi-annually on the dates and at the interest rates set forth on the cover page hereof.

Denomination and Place of Payment

The Bonds will be issued in the denominations of one Bond per maturity. Interest on the Bonds is payable semi-annually in the manner set forth on the cover page hereof. Principal of the Bonds is payable at the office of the Chief Financial Officer of the Borough acting as "Bond Registrar/Paying Agent." Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of the fifteenth day of the month preceding the date on which such interest payment date occurs (the "Record Dates" for the payment of interest on the Bonds).

OPTIONAL REDEMPTION PROVISIONS

The Bonds maturing on or prior to April 1, 2021 shall not be subject to redemption prior to their respective maturity dates. The Bonds maturing on or after April 1, 2022 shall be subject to redemption prior to their respective maturity dates, on or after April 1, 2021 at the option of the Borough, either in whole or in part at any time in any order of maturity at one hundred percent (100%) of the principal amount of the Bonds being redeemed (the "Redemption Price"), plus in each case accrued interest thereon to the date fixed for redemption.

Notice of Redemption shall be given by publishing such notice once a week for two (2) successive weeks in a newspaper of general circulation that carries financial news, is printed in the English language and is customarily published on each business day in the State of New York, the first of such publications to be at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. A Notice of Redemption shall also be mailed by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough. However, so long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notices of Redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds, nor shall the notice be published as provided herein. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by the Borough by lot. If Notice of Redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

AUTHORIZATION FOR THE BONDS

The Bonds have been authorized by and are issued pursuant to the laws of the State, including the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the "Local Bond Law"). The Bonds are authorized by the various bond ordinances stated below and adopted by the Borough Council, and by a resolution adopted by the Borough Council on February 28, 2011.

The bond ordinances included in the sale of the Bonds were published in full or in summary form after adoption along with the statement required by the Local Bond Law that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced, began to run from the date of the first publication of such estoppel statement. The Local Bond Law provides that after issuance all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning the sale or the execution or the delivery of the Bonds by the Borough.

The following table sets forth the projects to be financed by the Bond proceeds.

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Principal Amount of Bonds</u>
2005-04	Various Capital Improvements	\$242,500
2005-08	Improvements to Hofstra Park Tennis and Basketball Courts	237,500
2005-16	Streetscape Enhancements	58,850
2006-15	Acquisition of Fire Rescue Truck	168,850
2007-20	Improvements to North 12 th Street and Wagaraw Blvd.	59,400
2009-01	Various Improvements	152,900
2009-02	Acquisition of Street Sweeper	190,000
		<u>\$1,110,000</u>

PURPOSE OF ISSUE

The proceeds of the Bonds will be used to currently refund \$1,050,600 of the Borough's outstanding bond anticipation notes and to finance \$59,400 of previously unfinanced capital projects.

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of CEDE & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, CEDE & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of CEDE & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor CEDE & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the Record Date. The Omnibus Proxy assigns CEDE & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to CEDE & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to CEDE & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Borough or the paying agent, if any. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Borough may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough takes no responsibility for the accuracy thereof.

SECURITY FOR THE BONDS

The Bonds are general obligations of the Borough, and unless paid from other sources, the Borough is required by law to levy ad valorem taxes upon all the taxable property within the Borough for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Borough is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the New Jersey Local Finance Board (the "Local Finance Board").

MARKET PROTECTION

The Borough does not expect to issue bond anticipation notes, tax anticipation notes or additional bonds during the remainder of 2011.

No Default

The Borough has never defaulted on the payment of its debt service according to available records.

SUMMARIES OF CERTAIN PROVISIONS OF THE LOCAL BUDGET LAW AND THE LOCAL FISCAL AFFAIRS LAW

Local Budget Law (N.J.S.A. 40A:4-1 et seq.)

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt an annual operating budget in the form required by the Division of Local Government Services (the "Division"), Department of Community Affairs, State of New Jersey. Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division (the "Director") prior to final adoption. The Local Budget Law requires each local governmental unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations. The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review, focusing on anticipated revenues, functions to protect the solvency of all local governmental units. The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for the year, then such excess must be raised in the succeeding year's budget.

Limitations on Municipal Appropriations and Tax Levy

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, the payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the Cost-of-Living Adjustment ("COLA"). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. The Cap Law does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, municipalities have their tax levies limited to a four percent (4%) increase. The cap calculation is subject to various adjustments, such as the value of increased assessments, and allows for an increase in the adjusted tax levy for various items, including amounts required to be added to the adjusted tax levy for increases in debt service, amounts required to replace reductions in State formula aid, certain increased pension contributions, increases greater than four percent (4%) in the reserve for uncollected taxes, and increases in health care costs in excess of four percent (4%) (but not in excess of the percentage increase in the State Health Benefits Program). The law also allows the Local Finance Board to grant waivers for extraordinary circumstances (some of which are defined in the Law) and authorizes a municipality to submit a public question to the voters for approval (by an affirmative vote of at least sixty percent (60%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

This legislation has now been amended by P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment to limit tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election. Chapter 44 eliminates the process for obtaining waivers for additional spending under the tax levy limitation.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service.

The Borough's 2010 Budget was in compliance with both "CAPS", taking into account applicable adjustments and without requesting any waivers from the Local Finance Board.

Real Estate Taxes

N.J.S.A. 40A:4-29 delineates anticipation of delinquent tax collections: "The maximum that may be anticipated is the sum produced by the multiplication of the amount of delinquent taxes unpaid and owing to the local governmental unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year."

Section 41 of the Local Budget Law provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in a municipality and payable in a fiscal year, shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of such preceding fiscal year".

This provision requires that an additional amount, the "reserve for uncollected taxes", be added to the tax levy to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will be at least equal to the tax levy required to balance the budget. The reserve for uncollected taxes requirement is calculated as follows:

The levy required to balance the budget, divided by the prior year's percentage of current tax collection (or lesser percent) levied, will equal the total taxes to be levied for the current fiscal year.

Chapter 28 of the Pamphlet Laws of 1997 of New Jersey amended Section 41 of the Local Budget Law to allow municipalities to reduce the reserve for uncollected taxes by taking into account prior year tax reductions resulting from tax appeal judgments awarded to property owners. Another recent statute, Chapter 99 of the Pamphlet Laws of 1997 of New Jersey, allows a municipality to (1) reduce the reserve for uncollected taxes by deducting receipts anticipated during the fiscal year from the sale of unpaid taxes or municipal liens when such sale is concluded in the final month of the fiscal year or (2) not budget for the reserve for uncollected taxes if it sells its property tax levy pursuant to such statute. See "Appendix A, Description of the Borough of Prospect Park Together with Certain Economic, Demographic and Debt Information - Levy and Collection of Taxes" for a brief discussion of Chapter 99.

Miscellaneous Revenues

Section 26 of the Local Budget law provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine, upon application by the local governmental unit's governing body, that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local governmental unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof, with the exception of inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal year for such grants rarely coincide with a local governmental unit's fiscal year. Grant revenue is generally not realized until received in cash.

Deferral of Current Expenses

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of a local governmental unit. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects such as ice, snow, and flood damage to streets, roads and bridges which may be amortized over three years, tax map preparation, revision of ordinances, and master plan preparation which may be amortized over five years.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

Capital Budget

In accordance with the Local Budget Law, each local governmental unit shall revise annually a one to a six-year capital program budget. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local governmental unit may contemplate over the next one to six years.

Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the nonbudgetary financial activities of local governmental units. An annual independent audit of the local governmental unit's accounts for the previous year must be performed by a New Jersey licensed Registered Municipal Accountant. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvement of a local governmental unit's financial procedures and must be filed with the Director within six months after the close of the fiscal year. A synopsis of the Audit Report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion. The entire annual audit report is filed with the Borough Clerk and is available for review during business hours.

The financial officer of every local governmental unit must file annually with the Director a verified statement of the financial condition of the local governmental unit.

INVESTMENT OF MUNICIPAL FUNDS

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less approved by the Division of Investment of the State Department of the Treasury; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. Municipalities are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency obligations, certain short-term investment-grade corporate obligations, commercial paper rated "prime", certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency obligations and certain other types of instruments. The average maturity of the securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Borough has no investments in derivatives.

FINANCIAL OPERATIONS

Basis of Accounting

The accounting policies of the Borough conform to the accounting principals applicable to local governmental units which have been prescribed by the Division. The following is a summary of the significant policies:

Basis of Accounting - A modified accrual basis of accounting is followed, with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from the State of New Jersey. Expenditures are recorded on the accrual basis. Appropriation reserves covering unexpended appropriation balances are automatically created on December 31 of each calendar year or June 30 of each fiscal year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred or entered into during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Fixed Assets - Property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Current Fund

The Borough finances its operations primarily through the Current Fund. All tax receipts and most revenues are paid into the Current Fund and substantially all expenditures made by appropriations are paid from the Current Fund.

Fiscal Year

The Borough's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State (codified as N.J.S.A. 40A:4-3.1) required municipalities with populations in excess of 35,000 or which received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption was granted. Municipalities not meeting the criteria for a mandatory change had the option to choose to change to the State fiscal year. N.J.S.A. 40A:4-3.1 was amended by P.L. 2000, Ch. 126, to eliminate the criteria for a mandatory change of the fiscal year, but to continue to grant all municipalities the option to change to the State fiscal year. The Borough did not meet the criteria to change to the State fiscal year and does not presently intend to optionally make such a change in the future.

General Expenditures

Expenditures are comprised of those made for general Borough purposes, certain expenditures made from restricted Federal, State and private grants, certain Federal or State mandated expenditures, deferred charges, debt service and capital improvements. Budgeted expenditures for general Borough purposes include payments made primarily in support of the Borough's various departments.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Local Bond Law (N.J.S.A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of capital expenditures for municipal purposes.

Debt Limit

The authorized bonded indebtedness of a municipality is limited by statute, subject to certain exceptions, to an amount equal to 3 1/2% of its equalized valuation basis. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries as annually determined by the State Board of Taxation. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Exceptions to Debt Limit

The debt limit of a municipality may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed a municipality's debt limit, a municipality must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the ability of a municipality to meet its obligations or to provide essential services, or makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued without the approval of the Local Finance Board to fund certain notes, for self-liquidating purposes and, in each fiscal year in an amount not exceeding two-thirds of the amount budgeted in such fiscal year, for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes).

Assessment Bonds

Assessment bonds may be issued in annual serial installments with the first principal payment due within two years and the final principal payment due within twenty years of an issue's date. No principal payment may be larger than a prior year's principal payment.

Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)

Refunding bonds may be issued pursuant to the Local Bond Law for various purposes, including paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system, amounts owing to others for taxes levied and for paying the cost of issuance of refunding bonds. The Local Finance Board must consent to the authorization for the issuance of refunding bonds and approve the maturity schedule thereof.

TEMPORARY FINANCING

Bond Anticipation Notes (N.J.S.A. 40A:2-8(a))

A local governmental unit may issue bond anticipation notes to temporarily finance a capital improvement or project if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure, less a cash down payment of 5%. A local governmental unit's bond anticipation notes may be issued for one year periods and renewed annually, with the final maturity not later than the first day of the fifth month following the tenth fiscal year after the original issuance date. At each anniversary date from the original date of issuance commencing with the third anniversary, the principal amount of renewal bond anticipation notes must be reduced by the minimum amount of the first maturity of a bond issue.

Tax Anticipation Notes (N.J.S.A. 40A:4-64-73)

The issuance of tax anticipation notes is limited in amount by law to, collectively, 30% of the tax levy plus 30% of realized miscellaneous revenues of the next preceding fiscal year, and must be paid in full within 120 days after the close of the fiscal year in which they were issued.

School Debt (N.J.S.A. 18A:24-1 et seq.)

State law permits local school districts, upon approval of the voters in a Type II school district (the Borough's school district is a Type II school district), to authorize school district debt, including debt in excess of its independent debt limitation by using a municipality's share of its available borrowing capacity. If such debt is in excess of a school district's debt limit and the remaining borrowing capacity of a municipality, the State's Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

APPROPRIATION NOT REQUIRED FOR PAYMENTS ON DEBT

It is not necessary to have an appropriation in order to release money for debt service on obligations. N.J.S.A. 40A:4-57 states, "No officer, board, body or commission shall, during any fiscal year, expend money (except to pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such purpose". N.J.S.A. 40A:2-4 states, "The power and obligation of a local governmental unit to pay any and all bonds and notes issued by it pursuant to this Chapter, or any act of which this Chapter is a revision, shall be unlimited"

STATEMENT OF LITIGATION

There is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain law suits, none of a kind unusual for a municipality of its size, and none of which, in the opinion of the Borough Attorney, would materially and substantially impair the Borough's ability to pay its bondholders. All of the Borough's tort actions are being defended by an insurance company as well as by the insurance underwriters. Pending municipal real estate tax appeals are limited in number and, based upon the Borough's prior experience, and assuming that such tax appeals are resolved adversely to the interest of the Borough, such resolution would not materially and substantially impair the Borough's ability to pay its bondholders.

TAX MATTERS

Exclusion of Interest on the Bonds from Gross Income for Federal Income Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for purposes of Federal income taxation under Section 103 of the Code. Failure of the Borough to comply with such requirements may cause interest on the Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds. The Borough has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or permit any action that would cause the interest on the Bonds to be included in gross income under Section 103 of the Code or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code.

Assuming the Borough observes its covenants with respect to continuing compliance with the Code, Gibbons P.C., Bond Counsel, is of the opinion that, under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for Federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

Additional Federal Income Tax Consequences

In the case of certain corporate holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings" of certain corporations.

Prospective purchasers of the Bonds should be aware that ownership of, accrual of, receipt of, interest on, or disposition of, tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

The Bonds have been designated by the Borough as "Qualified Tax-Exempt Obligations" for purposes of Section 265(b)(3) of the Code. The Borough intends that, by such designation of the Bonds, the Bonds will not be subject to Section 265(b)(1) of the Code, which relates to the complete disallowance of deduction for interest expense of certain financial institutions that is allocable to interest on certain tax-exempt obligations acquired by a financial institution after August 7, 1986. The interest expense of certain financial institutions allocable to Qualified Tax-Exempt Obligations is subject to Sections 291 (a)(3) and 291(e)(1)(B) of the Code, relating to the non-deductibility of twenty (20) percent of the interest expense allocable to such tax-exempt obligations.

Bond Counsel expresses no opinion regarding any Federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

State Taxation

Bond Counsel is of the opinion that, under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the Borough shall furnish a certificate of the Borough Attorney, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Borough wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Borough or adversely affect the power of the Borough to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds, which has not been disclosed in this Official Statement.

Legal Matters

The legality of the Bonds will be subject to the approving opinion of Gibbons P.C., Newark, New Jersey, Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth in Appendix E. Such firm has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will not express, and has not been requested to express, an opinion as to the accuracy, completeness or fairness of such statements.

Certificates of Borough Officials

The original purchaser of the Bonds shall also receive a certificate dated as of the date of delivery of the Bonds and signed by the Chief Financial Officer certifying that (a) as of the date of the Official Statement furnished by the Borough in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Borough is not guaranteed as to accuracy, completeness or fairness, such officers have no reason to believe and do not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officers, since the date of said Official Statement and since the date of the sale of the Bonds, there have been no material transactions not in the ordinary course of affairs entered into by the Borough and no material adverse change in the general affairs of the Borough or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or which should have been supplied by, the successful bidder for the Bonds. In addition, the original purchaser of the Bonds shall also receive certificates in form satisfactory to Gibbons, P.C., Bond Counsel, evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and a certificate dated as of the date of delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Borough, nor the title of any of the said officers to their respective offices, is being contested.

SECONDARY MARKET DISCLOSURE

The Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Securities Exchange Act") has adopted amendments to its Rule 15c2-12 ("Rule 15c2-12") effective July 3, 1995 which generally prohibits a broker, dealer, or municipal securities dealer ("Participating Underwriter") from purchasing or selling municipal securities, such as the Bonds, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to the Municipal Securities Rulemaking Board ("MSRB") (the "Continuing Disclosure Requirements").

On the date of delivery of the Bonds, the Borough will enter into a Continuing Disclosure Certificate ("the Continuing Disclosure Certificate") containing the Continuing Disclosure Requirements for the benefit of the beneficial holders of the Bonds pursuant to which the Borough will agree to comply on a continuing basis with the Continuing Disclosure Requirements of Rule 15c2-12. Specifically, the Borough will covenant in the Continuing Disclosure Certificate to provide upon request to any person certain financial information and operating data (the "Annual Information") and notices of the occurrence of certain enumerated events (each, a "Disclosure Event").

The Annual Information and notices of Disclosure Events can be obtained from Stephen Sanzari, Chief Financial Officer, Borough of Prospect Park, Municipal Building, 106 Brown Avenue, Prospect Park, New Jersey 07508, (973) 790-7902.

The Borough has never failed to comply, in all material respects, with any previous undertakings to provide continuing disclosure compliance with the requirements of Rule 15c2-12.

PREPARATION OF OFFICIAL STATEMENT

Ferraioli, Wielkotz, Cerullo & Cuva, P.A., (the "Auditor") has assisted in the preparation of this Official Statement with information obtained from Borough documents and from other sources, including publicly available sources, considered reliable, but the Auditor, does not make any warranty or other representation with respect to the accuracy and completeness of such information.

The Auditor takes responsibility for the audited financial statements to the extent specified in the Independent Auditor's Report.

All other information has been obtained from sources which the Borough considers to be reliable but the Borough makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

Gibbons P.C., and Denis G. Murphy, Esq. have not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, express no opinion with respect thereto.

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutions, building and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, and all executors, administrators, guardians, trustees and other fiduciaries may legally invest any sinking funds, monies, or other funds belonging to them or within their control in any bonds of the Borough, including the Bonds, and such bonds are authorized security for any and all public deposits.

RATING

The Borough has applied for a rating on the Bonds from Moody's Investors Service, Inc. ("Moody's").

An explanation of the significance of such credit rating may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. The Borough furnished Moody's with certain information and materials concerning the Bonds and the Borough. Generally, Moody's bases its ratings on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. The rating is not a recommendation to buy, sell or hold the Bonds and there can be no assurance that any such ratings will be maintained for any given period of time or that such rating may not be raised, lowered or withdrawn entirely if, in Moody's judgment, circumstances so warrant. Any downward change in or withdrawal of any such rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds will be purchased at public sale from the Borough for resale by the purchaser (the "Underwriter").

ADDITIONAL INFORMATION

Additional information may be obtained from the Borough of Prospect Park, Municipal Building, 106 Brown Avenue, Prospect Park, New Jersey, 07508, attention: Stephen P. Sanzari, Chief Financial Officer 973 790-7902 (extension 517).

APPROVAL OF OFFICIAL STATEMENT

Prior to the delivery of the Bonds, the Borough Council of the Borough will have approved this Official Statement, deeming it a "final official statement" for purposes of Rule 15c2-12 and directing the Chief Financial Officer to deliver a reasonable number of copies thereof in final form to the purchaser of the Bonds for its use in the sale, resale or distribution of the Bonds.

MISCELLANEOUS

All summaries and explanations of provisions of laws, statutes or documents herein do not purport to summarize or describe all of the provisions thereof, and reference is made to said laws, statutes or documents for further information.

The economic, debt and other summaries which appear in Appendix A attached hereto have been prepared from publicly available sources of information described in said Appendix.

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchaser or holder of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof.

This Official Statement has been duly executed and delivered on behalf of the Borough by the Chief Financial Officer.

Borough of Prospect Park,
in the County of Passaic, New Jersey

By: _____
Stephen P. Sanzari
Chief Financial Officer

Dated: March ____, 2011

APPENDIX A

**DESCRIPTION OF
THE BOROUGH OF PROSPECT PARK
TOGETHER WITH
CERTAIN ECONOMIC, DEMOGRAPHIC AND DEBT INFORMATION**

APPENDIX A

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THE BOROUGH OF PROSPECT PARK

SIZE AND GEOGRAPHICAL LOCATION

The Borough of Prospect Park is located in southeastern Passaic County, New Jersey and is situated along the Passaic River between the municipalities of Haledon, North Haledon, Hawthorne and Paterson. It is also approximately 11 miles southwest of New York City. The area of the Borough is .45 square miles.

FORM OF GOVERNMENT

Prospect Park was organized in 1901 under the borough form of government. There is a Mayor and a Council, composed of six members. The Mayor is elected to serve a four-year term and may succeed that term by re-election. He is empowered, among his legal powers as head of the municipal government, to: (i) provide for the proper execution of local and State laws; (ii) recommend to the Borough Council measures he deems in the best interest of the Borough; (iii) nominate and, with the advice and consent of the Borough Council, appoint most subordinate officers of the Borough; and (iv) maintain peace and order. Although he presides over meetings of the Borough Council, the Mayor votes only in case of a tie. State law requires that he be a member of the Planning Board.

The six Council members are elected at-large, two each year, for terms of three years. The Council exercises general legislative powers conferred upon it by State law to protect and promote the general welfare of the Borough. Among these are the right to enact ordinances, approve resolutions, approve mayoral appointments, adopt the annual budget to determine the tax levy. The Council, acting in committees, oversees the various departments and functions of the Borough Government.

UTILITIES

Water is supplied by the Passaic Valley Water Commission. Gas and electricity is supplied by Public Service Electric & Gas Co. Telephonic communications is supplied by Verizon Communications.

SEWER UTILITY SYSTEM

All residences and businesses are connected to the sewer collection system. Sewer is discharged to the Passaic Valley Sewerage Commissioners (the "PVSC") sewer collection line through one interconnection which is metered and maintained by the PVSC. Sewer user charges are included in the quarterly property tax payments. Maintenance of the sewer system is done by the Borough.

SOLID WASTE COLLECTION

The Borough provides garbage collection for all homes on a twice weekly basis year round. Recycling collection is provided for all homes on a twice a month basis. The Borough contracts with a private scavenger for these services.

MUNICIPAL SERVICES

Police Protection

The Borough's Police Department includes a Chief of Police, four Sergeants, eight Uniformed Officers, one Detective and seven Crossing Guards.

Volunteer Fire Department

Fire personnel total forty volunteers in two fire companies manning the following apparatus: two pumpers and one light rescue truck.

Emergency Ambulance Service

Ambulance service is provided by the City of Paterson.

HEALTH CARE FACILITIES

Acute care facilities are available at St. Joseph's Regional Medical Center in Paterson and St. Joseph's Wayne Hospital in Wayne.

EDUCATIONAL FACILITIES

Board of Education of The Borough of Prospect Park

The District was established in the early 1900's. The District is coterminous with the borders of the Borough. The Board governs the operations of the District. The District's fiscal year-end is June 30th.

The Board is composed of nine members elected by the legally qualified voters in the District for three-year terms on a staggered basis. The President and Vice-President are chosen for one-year terms from among the members.

The Board is a policy making body and has the general responsibility for providing an education program, and the power to appoint the Superintendent of Schools (the "Superintendent").

The District provides education for students in grades Kindergarten to Grade 8. Students entering the ninth grade and continuing to twelfth grade attend the Manchester Regional School District (the "Regional School District") located in the Borough.

Manchester Regional High School District

The Manchester Regional High School is located within the Borough, and includes students from the municipalities of Haledon, North Haledon and Prospect Park. The Regional Board of Education has a nine member body, four members from Haledon, three members from North Haledon, and two members from Prospect Park all elected for three-year terms on a staggered basis.

TRANSPORTATION

New Jersey Transit Bus Operations provides bus service in the Borough. Other bus and rail transportation is available from Paterson and Wayne. State Route 208, a divided highway four miles to the North, provides connections to north-south Interstate Route 287 and State Routes 4 and 17. Interstate 80, three miles south of the Borough, provides connections with the Garden State Parkway, U.S. Route 46, the New Jersey Turnpike, and connections to the George Washington Bridge and the Lincoln Tunnel to midtown Manhattan.

RETIREMENT SYSTEMS

All full-time permanent or qualified Borough employees who began employment after 1944 must enroll in one or two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by the State. The Division of Pensions within the Treasury Department of the State is the Administrator of the funds with the benefit and contribution levels set by the State. The Borough is enrolled in the Public Employees' Retirement System and the Police and Firemen's Retirement System. The Borough is not delinquent with respect to its share of these pension system's payments nor the Federal Social Security System's ("OASI") payments.

COLLECTIVE BARGAINING REPRESENTATION

Certain Borough employees are represented by bargaining agents which are shown below together with termination dates of current contracts.

<u>Employee Classification</u>	<u>Bargaining Representation</u>	<u>Contract Termination Date</u>
Police	Local Police Benevolent Association	12-31-2013

Source: The Borough.

MAJOR REAL PROPERTY TAXPAYERS

Tilcon, N.J., Inc.	\$4,431,700
Schon Family, LLC	1,300,000
Hazen Realty, Inc.	1,252,500
Tilcon, N.J., Inc.	980,200
DS Acquisitions	950,000
Jackson Realty	924,400
Formed Realty, LLC	655,100
Taxpayer #1	647,700
Lont & Overcamp	505,200
US Bank National Assoc.	<u>449,300</u>

Total 2010 Assessed Valuation	<u>\$12,096,100</u>
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Percent of Borough's Total Taxable Real Property Assessed Valuation for 2010 (\$181,767,750)	6.65%
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Source: The Borough's 2010 tax duplicate.

NET ASSESSED PROPERTY VALUATIONS

<u>Classification</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential	\$161,102,900	\$160,946,100	\$160,822,300	\$160,051,300	\$159,799,100
Commercial	14,707,150	14,729,550	14,728,350	14,911,150	14,986,750
Industrial	2,755,700	2,755,700	2,755,700	2,755,700	2,757,400
Vacant	<u>3,048,500</u>	<u>3,115,200</u>	<u>3,115,200</u>	<u>3,155,200</u>	<u>3,195,200</u>
Total Real Property	<u>\$181,614,250</u>	<u>\$181,546,550</u>	<u>\$181,421,550</u>	<u>\$180,873,350</u>	<u>\$180,738,450</u>

Source: The Borough's tax duplicates for years shown.

Net Taxable Assessed Valuation - Real & Personal Tangible Property Comparisons

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Real Property	\$181,614,250	\$181,546,550	\$181,421,550	\$180,873,350	\$180,738,450
Personal Tangible Property	<u>228,200</u>	<u>221,200</u>	<u>218,000</u>	<u>224,100</u>	<u>238,200</u>
Total Assessed Valuation	<u>\$181,842,450</u>	<u>\$181,767,750</u>	<u>\$181,639,550</u>	<u>\$181,097,450</u>	<u>\$180,976,650</u>
Percent Increase Over Previous Year	0.04%	0.07%	0.30%	0.07%	0.22%

Source: The Borough's tax duplicates for the year's shown.

LEVY AND COLLECTION OF TAXES

As of December 31 for Years Shown

The levy and collection of taxes are based upon a calendar year. The Borough is the political entity responsible for the levying and collection of taxes on all taxable real property within its borders, including the tax levies for the County and the School District and the Regional School District.

Property taxes are based on an assessor's valuation of real property and are levied for a calendar year. The taxes for Borough, Local School District, Regional School District and County purposes are combined into one tax levy which is apportioned on the tax bill by rate and amount for taxpayer information only. Taxes levied for the purpose of the School District and the Regional School District cover the current calendar year. Turnover of tax monies by the Borough to a school district are based on school needs and are generally made on a periodic basis throughout the year. The Borough remits 100% of the County taxes, payable quarterly on the 15th day of February, May, August and November.

Tax bills for the second half of the current year's tax levy, and an estimate based on 50% of the levy for the first half of the following year, are mailed annually in June and are due in quarterly installments on the first day of August, November, February and May. Delinquent payments are subject to an interest penalty of 8% on the first \$1,500 of delinquency and 18% on amounts exceeding \$1,500. Unpaid taxes are subject to tax sale as of July 1 following the year of levy, in accordance with statutes of the State of New Jersey. Tax liens are subsequently subject to foreclosure proceedings in order to enforce tax collections or acquire title to property.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey allows a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation, the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or a surety bond. The purchaser is entitled to receive delinquent taxes and other municipal charges collected by the tax collector. The statute sets forth bidding procedures and minimum bidding terms and requires the review and approval of the sale by the Division of Local Government Services.

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Passaic County Tax Board on or before the first day of April of the current tax year for review. The Passaic County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Passaic County Tax Board, appeal may be made to the State Department of Taxation, Division of Tax Appeal, for a further hearing. State tax appeals tend to take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period.

Tax Rate Apportionment
(Per \$100 of Assessed Valuation)

<u>Year</u>	<u>Municipal</u>	<u>County</u>	<u>County Open Space</u>	<u>Local School</u>	<u>Regional High School(1)</u>	<u>Tax Rate</u>
2010	1.9228	1.1460	0.0220	1.5060	1.5192	6.116
2009	1.6947	1.1888	0.0241	1.4418	1.5146	5.864
2008	1.5875	1.1932	0.0242	1.4233	1.4928	5.721
2007	1.5220	1.0580	0.0220	1.4280	1.1900	5.220
2006	1.4370	0.9790	0.0200	1.4300	1.0540	4.920

Source: The Borough and audited financial statements of the Borough.

Tax Levy Apportionment

<u>Year</u>	<u>Municipal</u>	<u>County(1)</u>	<u>County Open Space(1)</u>	<u>Local School(1)</u>	<u>Regional School(1)</u>	<u>Tax Levy</u>
2010	\$3,495,865	\$2,083,847	\$39,506	\$2,738,240	\$2,762,321	\$11,119,779
2009	3,080,396	2,160,119	43,759	2,620,196	2,753,034	10,657,504
2008	2,883,281	2,167,277	43,789	2,585,202	2,711,473	10,391,022
2007	2,755,554	1,915,321	39,477	2,585,833	2,156,660	9,452,845
2006	2,599,425	1,769,336	34,416	2,586,253	1,906,449	8,895,879

(1) The Borough is required, under State statutes, to remit to the County and the School Districts 100% of the respective taxes levies.

Tax Collection Experience

Current Tax Levy Collected

<u>Year</u>	<u>Tax Levy(1)</u>	<u>Amount</u>	<u>Percent</u>
2010	\$11,121,484	\$10,825,343	97.33%
2009	10,678,947	10,320,313	96.64
2008	10,398,694	10,038,948	96.54
2007	9,480,411	9,230,708	97.37
2006	8,914,462	8,706,834	97.67

(1) Includes Added Taxes.

Source: Audited and unaudited financial statements of the Borough.

Tax Title Liens and Delinquent Taxes

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percent of Tax Levy</u>
2010	\$19,803	\$267,834	\$287,637	2.59%
2009	55,878	317,447	373,325	3.50
2008	11,135	358,743	369,878	3.56
2007	9,425	236,871	246,296	2.60
2006	8,715	206,970	215,685	2.42

Source: Audited and unaudited financial statements of the Borough.

Foreclosed Property

<u>Year</u>	<u>Balance December 31</u>
2010	250
2009	250
2008	250
2007	250
2006	250

Source: Audited and unaudited financial statements of the Borough.

CURRENT FUND BALANCES AND AMOUNTS UTILIZED IN SUCCEEDING YEAR'S BUDGET

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	
		<u>Amount</u>	<u>Percent</u>
2010	\$569,049	\$378,880 ⁽¹⁾	66.58%
2009	330,647	285,000	86.19
2008	363,626	200,000	55.00
2007	706,395	551,000	78.00
2006	790,027	590,000	74.68

(1) Introduced Budget.

Source: Audited and unaudited financial statements of the Borough.

STATE AID

<u>Year</u>	<u>Energy & Supp. Energy Receipts Tax(1)</u>	<u>Consolidated Municipal Property Tax Relief</u>	<u>Legislative Initiative Municipal Block Grant</u>	<u>Other Aid Received</u>	<u>Total</u>
2010	\$255,083	\$87,711	\$0	\$400,000	\$742,794
2009	228,474	172,416	0	250,000	650,890
2008	205,811	201,184	0	375,000	781,995
2007	190,204	283,852	22,660	159,517	656,233
2006	180,288	293,768	22,660	100,000	596,716

(1) Represents taxes received from public utilities in the State. The State keeps a portion of such taxes, and distributes the balance to local governmental units according to a formula. The amount of taxes distributed by the State to the local governmental unity is not governed by law. Previously called Franchise and Gross Receipts Tax.

**COMPARISON OF MUNICIPAL TAX LEVY
TO
ANNUAL DEBT SERVICE REQUIREMENT**

<u>Year</u>	<u>Municipal Purpose Tax Levy</u>	<u>Debt Service Requirement</u>	<u>Percent of Debt Service To Tax Levy</u>
2010	\$3,495,865	\$411,917	11.78%
2009	3,080,396	363,439	11.80
2008	2,883,281	375,624	13.03
2007	2,755,554	355,288	12.89
2006	2,599,425	356,478	13.71

DEBT INFORMATION

General Information

The State has enacted certain laws and statutes regulating the authorization and issuance of debt by tax levying local governmental units of the State. The statutory gross debt must include all debt authorized plus all debt issued which remains outstanding. Debt, bonds or notes, which has been refunded, and payment for which is made from escrowed U.S. Treasury securities or other permitted investments, is considered outstanding under State statutes until such outstanding debt has matured or has been called for redemption. However, any debt which is self-supporting or which is payable from other sources or debt issued for refunding purposes may be deducted from the statutory gross debt to arrive at the amount of statutory net debt. The statutory net debt figure is the amount to determine if a local governmental unit is within the limit of its statutory borrowing power.

A municipality's debt incurring power is limited by State statute to 3.50% of the equalized valuation, determined annually by the State, of all taxable real property within a local governmental unit (see "Statutory Borrowing Power"). A local governmental unit's general purpose bonds must be issued in serial form, with the first principal payment to occur within one year of an issue's date and the final maturity not to exceed \$1,000 above or be less than the principal amount of a bond issue. Refunding bonds may be sold on a negotiated basis with the approval of the New Jersey Local Finance Board. Notes may be sold on a competitive or on a negotiated, or private sale, basis for a period of one year, and may be renewed annually but the final maturity may not exceed the first day of the fifth month immediately following the end of the tenth fiscal year following the original date of issuance.

Appropriation Not Required for Payments on Debt

It is not necessary to have an appropriation in order to release money for debt service on obligations. N.J.S.A. 40A:4-57 states "No officer, board, body or commission shall, during any fiscal year, expend any money (except to pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such purpose". 40A:2-4 states "The power and obligation of a local unit to pay any and all bonds and notes issued by it pursuant to this chapter, or any act of which this chapter is a revision, shall be unlimited..."

The following schedules set forth information on the amounts of debt authorized but unissued, debt issued and outstanding, the remaining borrowing capacity, and overlapping debt. The debt information and statistics noted on the following pages may vary from the figures shown because of either a reduction or an increase in the amounts of debt for each of the political entities noted after the respective dates shown.

**STATUTORY DEBT INFORMATION
AS OF DECEMBER 31, 2010**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purpose:			
Local School District			
Bonds Issued	\$1,056,000		
Regional School District(1)			
Bonds Issued			
Less Deductions		\$1,056,000	
Net Debt for School Purposes			\$-0-
Municipal Purpose:			
Bonds Issued	1,914,000		
Notes Issued	1,050,600		
Authorized/Unissued Debt	163,420		
Less Deductions		3,651	
Net Debt for Municipal Purpose			3,124,369
Total Gross Statutory Debt	<u>\$4,184,020</u>		
Total Statutory Deductions		<u>\$1,059,651</u>	
Total Net Statutory Debt			<u>\$3,124,369</u>

(1) Represents 15.75% of \$-0- debt outstanding.

**STATUTORY BORROWING POWER(1)
AS OF DECEMBER 31, 2010**

Statutory Equalized Valuation(1)	\$391,791,623	
Statutory Borrowing Power(2)		\$13,712,707
Statutory Net Debt		<u>3,124,369</u>
Remaining Statutory Borrowing Power		<u>\$10,588,338</u>
Net Debt to Statutory Equalized Valuation	0.80%	

(1) Average of the immediately preceding three years (2010, 2009, 2008).

(2) 3.50% of the statutory equalized valuation.

Source: The Borough and the local and regional school districts.

TREND OF STATUTORY REMAINING BORROWING POWER

<u>Year</u>	<u>Statutory Equalized Valuation(1)</u>	<u>Borrowing Capacity(2)</u>	<u>Bonds & Notes Outstanding</u>	<u>Less Deductions</u>	<u>Net Debt Outstanding(3)</u>	<u>Authorized Unissued Debt</u>	<u>Remaining Borrowing Power</u>
2010	\$391,791,623	\$13,712,707	\$2,964,600	\$3,651	\$2,960,949	\$163,420	\$10,588,338
2009	420,517,897	14,718,126	3,270,650	3,651	3,266,999	163,420	11,287,707
2008	420,416,050	14,714,562	3,177,750	3,651	3,174,099	163,420	11,377,043
2007	389,185,856	13,621,505	3,417,750	3,651	3,414,099	163,420	10,043,986
2006	342,005,071	11,970,177	2,904,000	3,651	2,900,349	851,170	8,218,658

(1) Average of the immediately preceding three years as calculated by the State.

(2) 3 1/2% of the Statutory Equalized Valuation.

(3) Authorized Unissued Debt is not combined here; listed separately in next column.

Source: The Borough's audited and unaudited financial statements for years shown.

PERMANENT DEBT ISSUED AND OUTSTANDING AS OF DECEMBER 31, 2010

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>	<u>Final Maturity Date</u>	<u>Amount Outstanding</u>
General:				
General Improvement Bonds of 1997	5.550%	08-15-1997	08-15-2011	\$59,000
General Improvement Bonds of 2001	4.30%	06-01-2001	06-01-2011	140,000
General Improvement Bonds of 2005	Var. 3.25-4.00%	03-01-2005	03-01-2018	<u>1,715,000</u>
Total Permanent Debt Issued and Outstanding				<u>\$1,914,000</u>

Source: The Borough.

ANNUAL DEBT SERVICE SCHEDULE FOR BONDED DEBT ISSUED & OUTSTANDING AS OF DECEMBER 31, 2010

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$274,000.00	\$73,384.50	\$347,384.50
2012	200,000.00	61,600.00	261,600.00
2013	210,000.00	53,400.00	263,400.00
2014	220,000.00	44,800.00	264,800.00
2015	230,000.00	35,800.00	265,800.00
2016	240,000.00	26,400.00	266,400.00
2017	250,000.00	16,600.00	266,600.00
2018	<u>290,000.00</u>	<u>5,800.00</u>	<u>295,800.00</u>
Total	<u>\$1,914,000.00</u>	<u>\$317,784.50</u>	<u>\$2,231,784.50</u>

**DIRECT AND OVERLAPPING DEBT
ISSUED AND OUTSTANDING
AS OF DECEMBER 31, 2010**

	<u>Direct Debt</u>	<u>Overlapping Debt</u>
Direct Debt:		
Bonds	\$1,914,000	
Notes (including authorized but not issued)	1,214,020	
Overlapping Debt:		
Local School District		\$1,056,000
Passaic County(1)		2,654,793
Passaic County Utilities Authority(2)		429,384
Total Direct Debt:		
Gross	3,128,020	
Deductions	<u>3,651</u>	
Net	<u>\$3,124,369</u>	
Total Overlapping Debt:		
Gross		4,140,177
Deductions		<u>1,056,000</u>
Net		<u>\$3,084,177</u>

- (1) The County has outstanding \$452,899,191 in short and long-term gross debt and \$373,934,985 in net debt. The Borough's share (.709961%) is obtained by dividing the Borough's 2010 equalized valuation (\$395,063,261) by the County's 2010 equalized valuation (\$55,645,717,304), both valuations as calculated by the County.
- (3) The Passaic County Utilities Authority has outstanding \$60,480,000 in debt guaranteed by the County of Passaic. The Borough's apportioned share (.709961%) is calculated in the same as for Passaic County (see footnote (1)).
- Source: The political entities noted above.

DEBT RATIOS

	<u>Direct Debt</u>		<u>Overlapping Debt</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Per Capita(1)	\$541	\$541	\$716	\$534
Equalized Valuation(2)	.80%	.80%	1.057%	.79%

- (1) 5,779 population (2000 Census)
- (2) \$391,791,623 (2010 Equalized Valuation)

APPENDIX B
SUMMARY OF
2011 INTRODUCED MUNICIPAL BUDGET
FOR
CURRENT FUND

**BOROUGH OF PROSPECT PARK
SUMMARY OF CURRENT FUND
2011 INTRODUCED BUDGET**

Summary of General Revenues Anticipated:	
Surplus	<u>\$378,850</u>
Miscellaneous Revenues:	
Local Revenues	285,000
State Aid Without Offsetting Appropriations	342,962
Dedicated Uniform Construction Code Fees	
Offset With Appropriations	18,000
Special Items of General Revenue Anticipated	
With Prior Consent of Director of Local Government Services:	
Public and Private Revenues	48,358
Other Special Items	<u>265,000</u>
Total Miscellaneous Revenues	<u>959,320</u>
Delinquent Taxes Receipts	<u>270,002</u>
Sub-total General Revenues	<u>1,608,172</u>
Amount to be Raised for Support of Municipal Budget, Including Reserve for Uncollected Taxes	<u>3,901,610</u>
Total General Revenues	<u>5,509,782</u>
Summary of General Appropriations:	
Operations:	
Salaries and Wages	2,155,198
Other Expenses	2,062,407
Deferred Charges, Statutory Expenditures and Judgments	538,234,
Capital Improvements	21,000
Municipal Debt Service	<u>378,943</u>
Sub-total General Appropriations	5,155,782
Reserve for Uncollected Taxes	<u>354,000</u>
Total General Appropriations	<u>5,509,782</u>

Source: The Borough's 2011 Introduced Budget.

APPENDIX C

**EXCERPTS FROM
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2009
AND
SELECTED FINANCIAL INFORMATION
FOR THE YEARS ENDED
DECEMBER 31, 2006-2010**

Ferraioli, Wielkottz, Cerullo & Cuva, P.A.

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Prospect Park
Prospect Park, New Jersey 07508

We have audited the accompanying balance sheets-regulatory basis of the various funds and account group of the Borough of Prospect Park in the County of Passaic, as of and for the years ended December 31, 2009 and 2008, and the related statements of operations and changes in fund balance-regulatory basis for the years then ended, and the related statement of revenues-regulatory basis and statement of expenditures-regulatory basis of the various funds for the year ended December 31, 2009. These financial statements are the responsibility of the Borough of Prospect Park's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed below, we conducted our audits in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Length of Service Awards Program of the Borough of Prospect Park has not been audited, and we were not engaged to audit The Length of Service Awards Program financial statements as part of our audit of the Borough's financial statements.

As described in Note 1, these financial statements were prepared in conformity with the accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The affect on the financial statements of the variances between the prescribed basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.



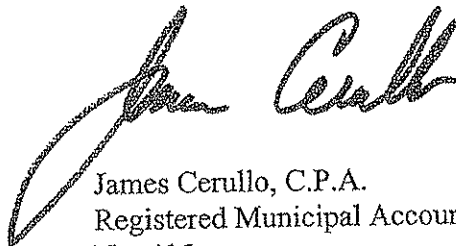
Honorable Mayor and
Members of the Borough Council
Page 2.

In our opinion, because of the Borough of Prospect Park's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Prospect Park, New Jersey as of December 31, 2009 and 2008 or the results of its operations for the years then ended.

However, in our opinion, the financial statements referred to above, with the exception of the Length of Services Awards Program present fairly, in all material respects, the financial position-regulatory basis of the various funds and account group of the Borough of Prospect Park, New Jersey at December 31, 2009 and 2008, and the results of its operations and the changes in fund balance-regulatory basis of such funds for the years then ended and the statement of revenues-regulatory basis, and statement of expenditures-regulatory basis for the year ended December 31, 2009, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated September 24, 2010 on our consideration of the Borough of Prospect Park's, New Jersey internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, schedules and exhibits listed in the table of contents are not required parts of the financial statements, but are presented as additional analytical data, as required by the Division of Local Government Services. This information has been subjected to the tests and other auditing procedures applied in the audit of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.



James Cerullo, C.P.A.
Registered Municipal Accountant
No. 415



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

September 24, 2010



Borough of Prospect Park, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	924,993.66	1,154,518.87
Change Fund	A-6	75.00	75.00
		<u>925,068.66</u>	<u>1,154,593.87</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-8	317,447.42	358,742.69
Tax Title Liens	A-9	55,877.74	11,135.35
Property Acquired for Taxes -			
Assessed Valuation	A-10	250.00	250.00
Revenue Accounts Receivable	A-11	808.99	137,219.00
Interfund Receivables:			
Federal and State Grant Fund	A-12	13,371.43	
Animal License Trust	A-12	2,164.00	1,653.20
Other Trust	A-12	9,047.77	8,714.25
Other Trust - Payroll	A-12	1,199.01	755.40
Public Assistance	A-12		509.22
		<u>400,166.36</u>	<u>518,979.11</u>
Deferred Charges:			
Emergency Authorizations	A-13	30,000.00	
Special Emergency Authorizations	A-14	5,954.00	8,931.00
		<u>1,361,189.02</u>	<u>1,682,503.98</u>
Federal and State Grant Fund:			
Cash	A-5	144,761.24	148,717.42
Grants Receivable	A-23	173,000.94	158,155.96
Interfund - Current Fund	A-24		1,741.64
		<u>317,762.18</u>	<u>308,615.02</u>
Total Assets		<u>1,678,951.20</u>	<u>1,991,119.00</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Prospect Park, N.J.

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3/A-15	351,448.84	329,323.36
Encumbrances Payable	A-16	74,533.15	218,569.41
Prepaid Taxes	A-17	27,383.61	46,063.83
Due to State of New Jersey:			
Senior Citizen and Veteran Deductions	A-18	386.95	2,886.95
Interfunds Payable:			
Federal and State Grant Fund	A-12		1,741.64
Due to State of New Jersey:			
Marriage Surcharge	A-22	200.00	200.00
Building Surcharge	A-22	422.00	
Accounts Payable	A-22	69,921.00	40,773.00
Reserve for:			
Tilcon Settlement	A-22	81,503.92	136,403.92
Redemption of Outside Liens	A-22	24,576.14	6,736.90
Master Plan Update	A-22		17,200.00
		<u>630,375.61</u>	<u>799,899.01</u>
Reserve for Receivables	Contra	400,166.36	518,979.11
Fund Balance	A-1	<u>330,647.05</u>	<u>363,625.86</u>
		<u>1,361,189.02</u>	<u>1,682,503.98</u>
Federal and State Grant Fund:			
Interfund - Current Fund	A-24	13,371.43	
Appropriated Reserve for Grants	A-25	151,905.35	159,236.16
Unappropriated Reserve for Grants	A-26	152,485.40	149,378.86
		<u>317,762.18</u>	<u>308,615.02</u>
Total Liabilities, Reserves and Fund Balance		<u>1,678,951.20</u>	<u>1,991,119.00</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Prospect Park, N.J.

Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Current Fund

Year Ended December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	200,000.00	551,000.00
Miscellaneous Revenue Anticipated	A-2	1,374,383.36	1,257,695.71
Receipts from Delinquent Taxes	A-2	342,600.46	235,619.07
Receipts from Current Taxes	A-2	10,320,313.22	10,038,948.08
Non-Budget Revenue	A-2	84,003.10	72,132.99
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-15	181,280.83	224,728.30
Cancellation of Accounts Payable			3,529.24
Statutory Excess Animal Control Fund	A-12	510.80	1,653.40
Cancellation of Tax Overpayments			4,438.90
Interfunds Returned	A-12	11,632.07	39,166.15
Total Revenues and Other Income		<u>12,514,723.84</u>	<u>12,428,911.84</u>
Expenditures:			
Budget and Emergency Appropriations:			
Operations - Within Caps:			
Salaries and Wages	A-3	2,108,337.88	1,965,774.00
Other Expenses	A-3	1,651,442.00	1,551,612.00
Deferred Charges and Statutory Expenditures -			
Municipal - Within Caps	A-3	274,422.00	89,100.00
Operations - Excluded from Caps:			
Salaries and Wages	A-3	36,929.00	105,547.00
Other Expenses	A-3	351,416.57	679,103.05
Capital Improvement Fund - Excluded from Caps	A-3	20,000.00	20,000.00
Municipal Debt Service - Excluded from Caps	A-3	363,392.12	375,546.22
Deferred Charges and Statutory Expenditures -			
Municipal - Excluded from Caps	A-3	2,977.00	52,977.00
Local District School Tax	A-19	2,602,699.00	2,585,517.50
Regional High School Tax	A-20	2,732,253.67	2,571,297.45
County Taxes including Added Taxes	A-21	2,208,051.20	2,212,574.72
Interfund Advances	A-12	25,782.21	11,632.07
Total Expenditures		<u>12,377,702.65</u>	<u>12,220,681.01</u>

Borough of Prospect Park, N.J.

Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

Current Fund

Year Ended December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Excess (Deficit) Revenue Over Expenditures		137,021.19	208,230.83
Adjustment to Income Before Fund Balance - Expenditures			
Included above Which are by Statute Deferred			
Charges to Budget of Succeeding Year		<u>30,000.00</u>	<u> </u>
Statutory Excess to Fund Balance		167,021.19	208,230.83
Fund Balance, January 1,	A	<u>363,625.86</u>	<u>706,395.03</u>
		530,647.05	914,625.86
Decreased by:			
Fund Balance Utilized as Budget Revenue		<u>200,000.00</u>	<u>551,000.00</u>
Fund Balance, December 31,	A	<u><u>330,647.05</u></u>	<u><u>363,625.86</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Prospect Park, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2009

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	200,000.00	200,000.00	
Miscellaneous Revenues:				
Fees and Permits	A-2	18,000.00	15,790.75	(2,209.25)
Fines and Costs:				
Municipal Court	A-11	280,000.00	176,846.88	(103,153.12)
Interest and Costs on Taxes	A-4	60,000.00	94,428.47	34,428.47
Energy Receipts Tax	A-11	228,474.00	228,474.00	
Consolidated Municipal Property Tax Relief Aid	A-11	172,416.00	172,416.00	
Consolidated Municipal Property Tax Relief Aid - 2008	A-11	137,219.00	137,219.00	
Extraordinary Aid	A-11	250,000.00	250,000.00	
Uniform Construction Code Fees	A-11	20,000.00	20,400.00	400.00
Special Items of General Revenue Anticipated				
With Prior written Consent of Director of				
Local Government Services:				
Public and Private Revenues:				
Drunk Driving Enforcement Fund	A-23	733.58	733.58	
Clean Communities Program	A-23	4,699.18	4,699.18	
Municipal Alliance on Alcoholism and Drug Abuse	A-23	10,000.00	10,000.00	
Safe and Secure Communities Program	A-23	26,929.00	26,929.00	
N.J. Dept. of Law & Public Safety - Click It or Ticket	A-23	4,000.00	4,000.00	
NJ Dept. of Health & Senior Services H1N1	A-23	11,978.00	11,978.00	
Body Armor Replacement Fund	A-23	1,465.81	1,465.81	
Other Special Items:				
Prospect Park Board of Ed. - School Resource Officer	A-11	70,000.00	59,680.00	(10,320.00)
Tilcon, New York - Funds for Betterment of				
Prospect Park	A-11	40,000.00	40,000.00	
Tilcon, New York - Payments in Lieu of Licensing	A-11	25,000.00	25,000.00	
Tilcon, New York - Safety Fund	A-11	10,000.00	10,000.00	
Lease Telecommunications Facility	A-11	20,000.00	20,000.00	
Lease Telecommunications Facility - Cingular	A-11	59,000.00	64,322.69	5,322.69
Total Miscellaneous Revenues	A-1	1,449,914.57	1,374,383.36	(75,531.21)
Receipts from Delinquent Taxes	A-1/A-2	349,146.39	342,600.46	(6,545.93)
Subtotal General Revenues		1,999,060.96	1,916,983.82	(82,077.14)
Amount to be Raised by Taxes for Support of				
Municipal Budget - Local Tax for Municipal				
Purposes Including Reserve for Uncollected Taxes	A-2	3,080,396.00	3,039,526.13	(40,869.87)
Budget Totals		5,079,456.96	4,956,509.95	(122,947.01)
Non-Budget Revenue	A-1/A-2		84,003.10	84,003.10
	A-3	5,079,456.96	5,040,513.05	(38,943.91)

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Prospect Park, N.J.
Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2009

Analysis of Realized Revenues

	<u>Ref</u>	
Revenue from Collections	A-1/A-8	10,320,313.22
Allocated to School and County Taxes	A-8	<u>7,581,281.09</u>
Balance for Support of Municipal Budget Appropriations		2,739,032.13
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>300,494.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>3,039,526.13</u>
Receipts from Delinquent Taxes:		
Delinquent Taxes	A-8	<u>342,600.46</u>
	A-2	<u>342,600.46</u>
Fees and Permits - Other:		
Planning Board	A-11	800.00
Finance	A-11	300.00
Board of Health / Registrar	A-11	427.00
Clerk	A-11	219.75
Construction Code Official	A-11	<u>14,044.00</u>
	A-2	<u>15,790.75</u>

Borough of Prospect Park, N.J.

Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2009

Analysis of Non-budget RevenuesRef.

Miscellaneous Revenues Not Anticipated:	
Senior Citizen & Veteran Deduction Handling Fee	535.00
Cable T.V. Franchise Fee	11,812.00
Other Licenses	98.50
Exempt Sewer Charges	3,014.29
Interest on Investments	16,184.99
Recycling	4,794.94
Miscellaneous Fees / Reimbursements	6,470.08
Police Reports/Fees	672.93
LEA Rebate Life Hazard Use Fees	4,200.00
List of Property Fees	158.00
Insurance Fund Rebate	11,635.42
Recreation Fees	9,702.54
Registrar Fees	21.00
Insurance Safety Fund	1,000.00
Duplicate Tax Bills	116.00
Rolloff Containers	275.00
State DMV Fines & Costs	2,449.00
Garage Sale	165.00
Leaf Bags	297.00
Towing Permits	1,475.00
Zoning Board Fees	400.00
Court Forfeitures	1,305.00
Library Copays	400.00
Bid Specs	100.00
Equipment Rental	750.00
Void	4,634.26
Photo Copies	1,337.15
	<hr/>
A-2/A-4	<u>84,003.10</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Prospect Park, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2009

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Operations - within "CAPS"						
General Government:						
Administrative and Executive						
Salaries and Wages		15,000.00	3,500.00	211.08	3,288.92	
Other Expenses		63,000.00	61,000.00	58,306.37	2,693.63	
Mayor and Council						
Salaries and Wages		18,780.00	19,854.00	19,686.97	167.03	
Other Expenses		4,000.00	4,000.00	2,239.95	1,760.05	
Borough Clerk						
Salaries and Wages		55,000.00	68,560.00	68,309.34	250.66	
Codification of Ordinances		1,500.00				
Contractual		6,000.00	5,000.00	2,430.00	2,570.00	
Financial Administration						
Salaries and Wages		35,000.00	31,440.00	28,571.98	2,868.02	
Other Expenses - Treasurer		6,000.00	6,000.00	3,768.75	2,231.25	
Miscellaneous Other Expenses		7,000.00	7,000.00		7,000.00	
Fixed Asset System		1,000.00	1,000.00	400.00	600.00	
Annual Audit		18,000.00	18,000.00		18,000.00	
Collection of Taxes						
Salaries and Wages		28,250.00	28,250.00	27,372.06	877.94	
Other Expenses		11,000.00	11,000.00	6,544.40	4,455.60	
Tax Search Officer						
Salaries and Wages		1,106.00	1,140.00	1,107.08	32.92	
Assessment of Taxes						
Salaries and Wages		8,000.00	11,050.00	11,046.04	3.96	
Other Expenses		6,000.00	4,000.00	2,358.00	1,642.00	
Legal Services and Costs						
Other Expenses (Emergency \$30,000.00)		80,000.00	133,652.00	132,915.34	736.66	
Engineering Services and Costs						
Other Expenses		1,500.00				

Borough of Prospect Park, N.J.
Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2009

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Municipal Land Use Law (N.J.S. 40:55D-11):						
Planning Board						
Salaries and Wages		500.00	2,000.00	840.84	1,159.16	
Other Expenses		500.00	500.00	253.12	246.88	
Board of Adjustment						
Salaries and Wages		500.00	500.00		500.00	
Other Expenses		2,000.00	2,000.00	18.00	1,982.00	
Insurance:						
Other Insurance Premiums		177,000.00	178,500.00	175,166.42	3,333.58	
Group Insurance Plan for Employees		416,000.00	401,000.00	367,472.99	33,527.01	
Municipal Court:						
Salaries and Wages		107,120.00	97,120.00	92,285.15	4,834.85	
Other Expenses		21,200.00	21,200.00	16,132.52	5,067.48	
Public Defender						
Salaries and Wages		8,785.00	8,785.00		8,785.00	
Public Safety:						
Police						
Salaries and Wages		1,499,109.88	1,504,109.88	1,465,048.46	39,061.42	
Other Expenses		42,012.00	41,012.00	40,907.24	104.76	
Other Expenses - SRO - Manchester		27,589.00	27,589.00		27,589.00	
Police Cars		21,000.00	21,000.00	21,000.00		
Emergency Management Services						
Salaries and Wages		725.00	760.00	700.00	60.00	
Other Expenses		5,000.00	3,000.00	1,759.80	1,240.20	
Fire						
Salaries and Wages		4,200.00	4,327.00	2,671.32	1,655.68	
Other Expenses						
Miscellaneous Other Exepenses		52,150.00	50,650.00	40,538.50	10,111.50	

Borough of Prospect Park, N.J.
Statement of Expenditures - Regulatory Basis

Current Fund									
Year Ended December 31, 2009									

Borough of Prospect Park, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2009

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Sanitarian						
Salaries and Wages		1,941.00	1,941.00	1,896.00	45.00	
Dog Regulation						
Other Expenses		6,500.00	6,500.00	5,903.63	596.37	
Administration of Public Assistance						
Other Expenses	1.00	1.00	1.00		1.00	
Parks and Recreation:						
Recreation Services and Programs						
Salaries and Wages		15,000.00	15,000.00	14,795.11	204.89	
Other Expenses		21,000.00	24,000.00	22,786.76	1,213.24	
Senior Citizens						
Other Expenses		1,000.00	1,000.00	1,000.00		
Celebration of Public Events Anniversary						
or Holiday						
Other Expenses		1,000.00	1,000.00	1,000.00		
Salary and Wage Adjustment						
Accumulated Absences		21,000.00	5,000.00		5,000.00	
		100.00	100.00		100.00	
Construction Code Official						
Salaries and Wages		25,000.00	30,700.00	30,405.06	294.94	
Building Inspector						
Salaries and Wages		34,000.00	38,335.00	38,319.34	15.66	
Other Expenses		4,000.00	5,000.00	4,107.24	892.76	
Plumbing Inspector						
Salaries and Wages		3,768.00	3,768.00	3,693.67	74.33	
Fire Protection Official						
Salaries and Wages		2,985.00	2,985.00	1,958.04	1,026.96	

Borough of Prospect Park, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2009

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Cancelled
Elevator Inspector Salaries and Wages		625.00	625.00		625.00	
Electrical Inspector Salaries and Wages		3,379.00	3,484.00	3,327.91	156.09	
Unclassified:						
Street Lighting		40,000.00	44,000.00	41,959.94	2,040.06	
Gasoline		55,000.00	49,250.00	27,919.57	21,330.43	
Total Operations within "CAPS"		3,735,129.88	3,759,779.88	3,456,424.82	303,355.06	
Detail:						
Salaries and Wages	A-1	2,111,089.88	2,108,337.88	2,024,631.80	83,706.08	
Other Expenses	A-1	1,624,040.00	1,651,442.00	1,431,793.02	219,648.98	
Deferred Charges and Statutory Expenditures - Municipal within "CAPS"						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System		26,780.00	27,350.00	27,327.77	2.23	
Social Security System (O.A.S.I.)		75,500.00	78,000.00	74,217.52	3,782.48	
Police and Firemen's Retirement System		159,092.00	159,092.00	159,092.00		
Unemployment Insurance		10,000.00	10,000.00	10,000.00		
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	271,372.00	274,422.00	270,637.29	3,784.71	
Total General Appropriations for Municipal Purposes within "CAPS"		4,006,501.88	4,034,201.88	3,727,062.11	307,139.77	

Borough of Prospect Park, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2009

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Cancelled
Operations - Excluded from "CAPS"						
Municipal Court Mandated Costs NJSA 40:A-4-45.3(cc)		10,000.00	10,000.00	10,000.00		
Salaries and Wages		176,064.00	176,164.00	176,145.60	18.40	
Passaic Valley Sewer Commission - Share of Costs		40,000.00	42,200.00	42,161.33	38.67	
Borough of Haledon Share of PVSC Costs		59,657.00	59,657.00	31,050.00	28,607.00	
Emergency Services Volunteer Length of Service Award Program						
Borough of Hawthorne - Free Public Library Services		12,370.00	12,370.00	6,100.00	6,270.00	
Other Expenses						
Borough of Haledon		9,375.00	9,375.00		9,375.00	
Code Enforcement Officer						
Public and Private Programs Offset by Revenues		4,699.18	4,699.18	4,699.18		
Clean Communities Program		10,000.00	10,000.00	10,000.00		
Municipal Alliance on Alcoholism and Drug Abuse		2,500.00	2,500.00	2,500.00		
Municipal Alliance on Alcoholism and Drug Abuse - Local Share		1,465.81	1,465.81	1,465.81		
N.J. Division of Criminal Justice - Body Armor Grant		733.58	733.58	733.58		
Drunk Driving Enforcement Fund - Police		4,000.00	4,000.00	4,000.00		
NJ Division of Law and Public Safety Click It or Ticket		11,978.00	11,978.00	11,978.00		
State Health Services Grant H1N1 Vaccination						
Safe and Secure Communities Program		26,929.00	26,929.00	26,929.00		
- State Share		16,274.00	16,274.00	16,274.00		
- Local Share		386,045.57	388,345.57	344,036.50	44,309.07	
Total Operations - Excluded from "CAPS"						
Detail:						
Salaries & Wages	A-1	36,929.00	36,929.00	36,929.00		
Other Expenses	A-1	349,116.57	351,416.57	307,107.50	44,309.07	
Capital Improvements:						
Capital Improvement Fund		20,000.00	20,000.00	20,000.00		
Total Capital Improvements Excluded from "CAPS"	A-1	20,000.00	20,000.00	20,000.00		

Borough of Prospect Park, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2009

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Cancelled
Municipal Debt Service:						
Payment of Bond Principal		250,000.00	250,000.00	250,000.00		
Interest on Bonds		96,741.38	96,741.38	96,741.38		46.39
Interest on Notes		16,697.13	16,697.13	16,650.74		46.39
Total Municipal Debt Service-Excluded from "CAPS"	A-1	363,438.51	363,438.51	363,392.12		
Deferred Charges:						
Special Emergency Authorizations		2,977.00	2,977.00	2,977.00		
Total Deferred Charges - Municipal - Excluded from "CAPS"	A-1	2,977.00	2,977.00	2,977.00		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		772,461.08	774,761.08	730,405.62	44,309.07	46.39
Subtotal General Appropriations		4,778,962.96	4,808,962.96	4,457,467.73	351,448.84	46.39
Reserve for Uncollected Taxes		300,494.00	300,494.00	300,494.00		
Total General Appropriations		5,079,456.96	5,109,456.96	4,757,961.73	351,448.84	46.39
					A	
Adopted Budget	A-2	5,063,478.96	5,063,478.96			
Emergency Authorizations	A-13	30,000.00	30,000.00			
Appropriated by N.J.S. 40A:4-87	A-2	15,978.00	15,978.00			
		5,109,456.96	5,109,456.96			

Borough of Prospect Park, N.J.
Statement of Expenditures - Regulatory Basis
Current Fund
Year Ended December 31, 2009

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>Analysis of Paid or Charged</u>						
Cash Disbursed	A-4			4,301,378.01		
Encumbrances Payable	A-16			74,533.15		
Special Emergency Authorization	A-14			2,977.00		
Reserve for Uncollected Taxes	A-2			300,494.00		
Matching Funds for Grants	A-4/A-25			18,774.00		
Reserve for Federal and State Grants	A-25			59,805.57		
				<u>4,757,961.73</u>		

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Prospect Park, N.J.
 Comparative Balance Sheet - Regulatory Basis
 Trust Funds
 December 31, 2009 and 2008

<u>Assets</u>	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
Animal Control Fund:			
Cash	B-1	6,574.40	4,363.80
		<u>6,574.40</u>	<u>4,363.80</u>
Other Trust Funds:			
Cash	B-1	138,534.74	144,006.70
		<u>138,534.74</u>	<u>144,006.70</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited):			
Cash in Plan	B-1	207,211.77	134,862.65
Contributions Receivable	B-3	32,200.00	31,050.00
		<u>239,411.77</u>	<u>165,912.65</u>
Total Assets		<u>384,520.91</u>	<u>314,283.15</u>
<u>Liabilities, Reserves & Fund Balance</u>			
Animal Control Fund:			
Reserve for Animal Control Fund Expenditures	B-4	4,305.00	2,535.00
Due to State Department of Health	B-5	105.40	175.60
Interfund - Current Fund	B-2	2,164.00	1,653.20
		<u>6,574.40</u>	<u>4,363.80</u>
Other Trust Fund:			
Interfund - Current Fund	B-2	9,047.77	8,714.25
Interfund - Current Fund(Payroll)	B-7	1,199.01	755.40
Reserve for:			
Unemployment Insurance	B-6	25,079.02	28,319.36
Escrow Deposits	B-6	46,848.51	45,646.01
Donations - Police	B-6	11,360.99	11,360.99
Uniform Fire Safety Penalty Funds	B-6	4,340.27	3,393.56
Street Opening Deposits	B-6	1,470.00	1,470.00
Public Defender Fees	B-6	11,306.43	15,303.20
Donations - Shooting Range	B-6	335.40	335.40
Recreation	B-6	1,096.26	1,096.26
Tax Sale Premium	B-6	-	2,200.00
Accumulated Absences	B-6	3,900.00	9,300.00
Municipal Court - P.O.A.A.	B-6	14,823.76	14,298.41
Payroll Deductions Payable	B-7	7,727.32	1,813.86
		<u>138,534.74</u>	<u>144,006.70</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited):			
Net Assets Available for Benefits	B-8	239,411.77	165,912.65
		<u>239,411.77</u>	<u>165,912.65</u>
Total Liabilities, Reserves & Fund Balance		<u>384,520.91</u>	<u>314,283.15</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Prospect Park, N.J.
Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2009 and 2008

	<u>Ref.</u>	<u>2009</u>	<u>2008</u>
<u>Assets</u>			
Cash	C-2/C-3	641,974.95	289,236.36
Due from N.J. Department of Transportation	C-4	863,530.74	812,965.76
Due from N.J. Dept. Of Environmental Protection	C-4	5,394.12	5,394.12
Due from Passaic County	C-4	80,000.00	
Deferred Charges to Future Taxation:			
Funded	C-5	2,179,000.00	2,429,000.00
Unfunded	C-6	1,255,070.00	912,170.00
		<u>5,024,969.81</u>	<u>4,448,766.24</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-8	2,179,000.00	2,429,000.00
Bond Anticipation Notes	C-9	1,091,650.00	748,750.00
Improvement Authorizations:			
Funded	C-10	705,608.67	459,828.40
Unfunded	C-10	563,067.55	409,925.75
Capital Improvement Fund	C-11	31,751.00	35,851.00
Accounts Payable	C-12	422,114.69	333,633.19
Reserve for:			
Preliminary Expenses	C-13	2,894.00	2,894.00
Debt Service	C-14	3,651.21	3,651.21
Fund Balance	C-1	<u>25,232.69</u>	<u>25,232.69</u>
		<u>5,024,969.81</u>	<u>4,448,766.24</u>

Footnote: There were \$ 163,420.00 and \$ 163,420.00 of Bonds and Notes Authorized But Not Issued per Exhibit C-15 on December 31, 2009 and 2008.

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Prospect Park, N.J.
Statement of Changes in Fund Balance - Regulatory Basis
General Capital Fund
Year Ended December 31, 2009

	<u>Ref.</u>	
Balance - December 31, 2008	C	<u>25,232.69</u>
Balance - December 31, 2009	C,C-3	<u>25,232.69</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

Borough of Prospect Park , N.J.
 Comparative Balance Sheet - Regulatory Basis
 Public Assistance Fund
 December 31, 2009 and 2008

		<u>Ref.</u>	<u>2009</u>	<u>2008</u>
	<u>Assets</u>			
Cash		E-1	<u>8,401.80</u>	<u>8,911.02</u>
			<u>8,401.80</u>	<u>8,911.02</u>
	<u>Liabilities</u>			
Reserve for Public Assistance		E-4	<u>8,401.80</u>	<u>8,401.80</u>
Interfund - Current Fund		E-5		<u>509.22</u>
			<u>8,401.80</u>	<u>8,911.02</u>

The accompanying "Notes to Financial Statements" are an integral part of
 these Financial Statements.

GENERAL FIXED ASSET ACCOUNT GROUP

Exhibit F

Borough of Prospect Park, N.J.

Comparative Statement of General Fixed Assets - Regulatory Basis

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>General Fixed Assets:</u>		
Land	1,302,000.00	1,302,000.00
Buildings and Building Improvements	725,371.00	725,371.00
Machinery and Equipment	<u>2,977,063.97</u>	<u>2,749,969.52</u>
	<u>5,004,434.97</u>	<u>4,777,340.52</u>
 Investment in Fixed Assets	 <u>5,004,434.97</u>	 <u>4,777,340.52</u>

See accompanying notes to financial statements.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with generally accepted accounting principles (GAAP).

The financial statements of the Borough of Prospect Park have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than generally accepted accounting principles. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Borough of Prospect Park (the "Borough") operates under a Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the Volunteer Fire Department which is considered component units under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entity.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Borough has the following funds:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.

Animal Control Fund - This fund is used to account for fees collected from dog licenses and expenditures which are regulated by NJS 4:19-15.11.

Emergency Services Volunteer Length of Service Award Program - This fund is used to account for the cumulative payments to participant's in the emergency services volunteer length of service award program including any income, gains, losses or increases or decreases in market value attributable to the investment of the participant's length of service awards.

General Capital Fund - This fund is used to account for the receipt and disbursement of funds used for acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes. Effective August 1, 2008, the Borough transferred administration of the General Assistance Program to the Passaic County Board of Social Services. The funds remaining in the Public Assistance Fund are to be used to assist certain residents who do not qualify for the general assistance program.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of Prospect Park. Under this method of accounting revenues, except State/Federal Aid, are recognized when received and expenditures are recorded, when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Budgets and Budgetary Accounting - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures for the current fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

General Capital Fund
Public Assistance Fund

Trust Funds

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2009, the Borough Council increased the original budget by \$45,978.00. The increase was funded by \$15,978.00 of additional grants allotted to the Borough and \$30,000.00 was for an emergency appropriation for legal fees. In addition, several budget transfers were approved by the governing body.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves - Are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at costs which approximates fair value and are limited by N.J.S.A. 40A:5-15.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or nonfunding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

Fixed Assets - The Borough of Prospect Park has developed a fixed assets accounting and reporting system as promulgated by the Division of Local Government Services which differs in certain respects from generally accepted accounting principles.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

Fixed assets purchased after December 31, 1992 are stated at cost.

Fixed assets purchased prior to December 31, 1992 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

C. Basic Financial Statements

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2009, \$-0- of the Borough's bank balance of \$2,386,818.46 was exposed to custodial credit risk.

Investments

Investment Rate Risk

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer.

Unaudited Investments

As more fully described in Note 13, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2009 and 2008 amounted to \$207,211.77 and \$134,862.65, respectively.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Growth	\$100,555.14	\$64,003.81
Growth and Income	27,902.18	18,627.87
All Others	<u>78,754.45</u>	<u>52,230.97</u>
Total	<u>\$207,211.77</u>	<u>\$134,862.65</u>

NOTE 3. MUNICIPAL DEBT

Long-term debt as of December 31, 2009 consisted of the following:

	<u>Balance Dec. 31, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable - General Obligation Debt	\$2,429,000.00	\$	\$250,000.00	\$2,179,000.00	\$265,000.00
Other Liabilities - Compensated Absences Payable	165,154.95	3,490.21	34,110.87	134,534.29	
Deferred Pension Obligation	<u> </u>	<u>168,451.00</u>	<u> </u>	<u>168,451.00</u>	<u> </u>
	<u>\$2,594,154.95</u>	<u>\$171,941.21</u>	<u>\$284,110.87</u>	<u>\$2,481,985.29</u>	<u>\$265,000.00</u>

Summary of Municipal Debt

The Local Bond Law governs the issuance of bonds and notes to finance capital expenditures. General obligation bonds have been issued for the general capital fund. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or retired by the issuance of bonds.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

Summary of Municipal Debt, (continued)

The Borough's debt is summarized as follows:

	<u>Year 2009</u>	<u>Year 2008</u>	<u>Year 2007</u>
<u>Issued:</u>			
General - Bonds and Notes	\$3,270,650.00	\$3,177,750.00	\$3,417,750.00
<u>Authorized But Not Issued</u>			
General - Bonds and Notes	<u>163,420.00</u>	<u>163,420.00</u>	<u>163,420.00</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$3,434,070.00</u>	<u>\$3,341,170.00</u>	<u>\$3,581,170.00</u>

Summary of Statutory Debt Condition - Annual Debt Statements

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .82%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$3,885,922.00	\$3,885,922.00	\$0.00
Regional High School District	0.00	0.00	0.00
General Debt	<u>3,434,070.00</u>	<u>3,651.21</u>	<u>3,430,418.79</u>
	<u>\$7,319,992.00</u>	<u>\$3,889,573.21</u>	<u>\$3,430,418.79</u>

Net Debt \$3,430,418.79 divided by Equalized Valuation Basis per N.J.S. 40A:2-2 as amended, \$420,517,897.33 equals .82%.

Borrowing Power under N.J.S. 40A:2-6 as Amended

3 1/2% of Equalized Valuation Basis (Municipal)	\$14,718,126.40
Net Debt	<u>3,430,418.79</u>
Remaining Borrowing Power	<u>\$11,287,707.61</u>

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 3. MUNICIPAL DEBT, (continued)

The Borough's long term debt consisted of the following at December 31, 2009:

<u>Paid by Current Fund</u>	<u>Amount Outstanding</u>
General Serial Bonds - General Serial Bonds of \$654,000.00 with an interest rate of 5.55% issued August 15, 1997, due through August 15, 2011	\$119,000.00
General Serial Bonds - General Serial Bonds of \$1,050,000.00 with an interest rate of 4.30% issued June 1, 2001 due through June 1, 2011	280,000.00
General Serial Bonds - General Serial Bonds of \$1,940,000.00 issued March 1, 2005, due through March 1, 2018 with variable interest rates from 3.25% to 4.00%	<u>1,780,000.00</u>
	<u>\$2,179,000.00</u>

General Capital Serial Bonds are direct obligations of the Borough for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property located within the Borough.

In addition to the above, the Borough had authorized but not issued debt as follows:

General Capital	\$ <u>163,420.00</u>
-----------------	----------------------

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued
and Outstanding

	<u>General</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$265,000.00	\$85,453.25	\$350,453.25
2011	274,000.00	73,384.50	347,384.50
2012	200,000.00	61,600.00	261,600.00
2013	210,000.00	53,400.00	263,400.00
2014	220,000.00	44,800.00	264,800.00
2015-2018	<u>1,010,000.00</u>	<u>84,600.00</u>	<u>1,094,600.00</u>
	<u>\$2,179,000.00</u>	<u>\$403,237.75</u>	<u>\$2,582,237.75</u>

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 4. BOND ANTICIPATION NOTES

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

On December 31, 2009, the Borough had \$1,091,650.00 in outstanding general capital bond anticipation notes that came due on April 14, 2010. These notes were renewed for one year.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2009.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
JPMorgan Chase Bank	\$748,750.00	\$	\$748,750.00	\$0.00
Valley National Bank		<u>1,091,650.00</u>		<u>1,091,650.00</u>
	<u>\$748,750.00</u>	<u>\$1,091,650.00</u>	<u>\$748,750.00</u>	<u>\$1,091,650.00</u>

NOTE 5. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2009, the following deferred charges are shown on the balance sheets of the various funds:

	<u>Balance December 31, 2009</u>	<u>2010 Budget Appropriation</u>	<u>Balance to Succeeding Years</u>
Special Emergency Authorizations	\$5,954.00	\$2,977.00	\$2,977.00
Emergency Authorization	<u>30,000.00</u>	<u>30,000.00</u>	<u>0.00</u>
	<u>\$35,954.00</u>	<u>\$32,977.00</u>	<u>\$2,977.00</u>

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 6. DEFERRED SCHOOL TAXES

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Borough of Prospect Park has elected to defer school taxes as follows:

	<u>December 31, 2009</u>	
	<u>Local</u> <u>School District</u>	<u>Regional</u> <u>High School</u>
Balance of Tax	\$1,310,098.00	\$1,376,505.25
Deferred	<u>1,310,098.00</u>	<u>1,376,505.25</u>
Tax Payable	<u>\$0.00</u>	<u>\$0.00</u>

NOTE 7. PENSION PLANS

Description of Systems:

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemen's Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemen's Retirement System (PFRS) are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55). Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 7. PENSION PLANS, (continued)

Description of Systems, (continued)

Police and Firemens' Retirement System (PFRS)

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final average compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years or 1/60 of final average compensation multiplied by the number of years of creditable service, whichever is greater. Special retirement is permitted to members who have 25 or more years of creditable service in the system. Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS and PFRS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Divisions of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Significant Legislation

On March 17, 2009, the legislative of the State of New Jersey enacted Public Laws 2009, c.19(S-21) the "Pension Deferral Program". This law allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying their full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the Public Employees' Retirement System and/or the Police and Firemen's Retirement System obligation for payment due to the State Fiscal Year ending June 30, 2009. The amount deferred will be repaid starting in April 2012 over a 15-year period at 8¼ percent. The amount will fluctuate based on pension system investment earnings on the deferred amount. The local employer is allowed to payoff the obligation at any time prior to April 2012.

The Borough of Prospect Park opted for this deferral in the amount of \$168,451.00.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 7. PENSION PLANS, (continued)

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.0% for PERS and 8.5% for PFRS of the employee's annual compensation, as defined through June 30, 2007. Under Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, the PERS and employee contribution rate will increase to 5.5 percent effective July 1, 2007. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

The Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
2009	\$26,780.00	\$159,092.00
2008	30,378.40	288,685.00
2007	18,370.80	177,643.20

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000 annually, the official may choose to waive participation in the DCRP for that office or position. The waiver is irrevocable.

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 7. PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS. A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

NOTE 8. FUND BALANCES

Fund balances as of December 31, 2009 and 2008 that have been anticipated as revenue in the 2010 and 2009 budgets were as follows:

	<u>2010</u>	<u>2009</u>
Current Fund	<u>\$285,000.00</u>	<u>\$200,000.00</u>

NOTE 9. FIXED ASSETS

The following is a summary of changes in the general fixed asset account group for the year 2009.

	<u>Balance</u> <u>Dec. 31, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2009</u>
Land	\$1,302,000.00	\$	\$	\$1,302,000.00
Buildings and Improvements	725,371.00			725,371.00
Machinery and Equipment	<u>2,749,969.52</u>	<u>227,094.45</u>		<u>2,977,063.97</u>
	<u>\$4,777,340.52</u>	<u>\$227,094.45</u>	<u>\$0.00</u>	<u>\$5,004,434.97</u>

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 10. ACCRUED SICK AND VACATION BENEFITS

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused sick pay over the life of their working careers up to a maximum of 150 days. Of the days accumulated one-third will be paid as terminal leave upon retirement.

The estimated current cost of such unpaid compensation is \$134,534.29. This amount which could be material to the financial statements, is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's operating budget in the year it is used.

NOTE 11. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2009 consists of the following:

\$13,371.43	Due to the Current Fund from the Federal and State Grant Fund for Grant Fund bills paid by the Current Fund.
9,047.77	Due to the Current Fund from the Other Trust Fund for Other Trust Fund Bills for Public Defender Trust paid by the Current Fund.
1,199.01	Due to the Current Fund from the Other Trust Fund - Payroll Fund for interest, not turned over.
<u>2,164.00</u>	Due to the Current Fund from the Animal License Trust for statutory excess.
<u>\$25,782.21</u>	

It is anticipated that all interfunds will be liquidated during the fiscal year.

NOTE 12. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)

On April 8, 2002, the Division of Local Government Services approved the Borough's LOSAP plan, provided by Lincoln Financial Group. The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 12. EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP), (continued)

Lincoln Financial Group will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall provide for a fixed annual contribution of \$1,150.00 to each eligible volunteer who accumulates a minimum of 100 service points based on criteria established by Borough Ordinance No. 2000-05. The Borough's contribution shall be included in the current years budget.

All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

We have reviewed the plan for the year ended December 31, 2009 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

NOTE 13. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur.. During the 2009 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough of Prospect Park is currently a member of the Suburban Essex Municipal Joint Insurance Fund and the Municipal Excess Liability Joint Insurance Fund (the "Funds"). The Funds provide their members with Liability, Property and Workers' Compensation and Employer Liability Insurance. The Funds are risk-sharing public entity risk pools that are both an insured and self administered group of municipalities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Funds are elected.

As a member of the Funds, the Borough could be subject to supplemental assessments in the event of deficiencies. If the assets of the Funds were to be exhausted, members would become responsible for their respective shares of the Funds' liabilities.

BOROUGH OF PROSPECT PARK, N.J.
Notes to Financial Statements
Years Ended December 31, 2009 and 2008
(continued)

NOTE 13. RISK MANAGEMENT, (continued)

The Funds can declare and distribute dividends to members upon approval of the State of New Jersey Department of Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Financial statements for the Funds are available at the office of the Funds' Executive Director, Conner Strong/PERMA Risk Management Services.

NOTE 14. TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance</u> <u>Dec 31, 2009</u>	<u>Balance</u> <u>Dec 31, 2008</u>
Prepaid Taxes	<u>\$27,383.61</u>	<u>\$46,063.83</u>
Cash Liability for Taxes Collected in Advance	<u>\$27,383.61</u>	<u>\$46,063.83</u>

NOTE 15. COMMITMENTS AND CONTINGENT LIABILITIES

The Borough is involved in suits in the normal course of business. These cases, if decided against the Borough, would be paid for by its insurance carrier or with funds raised by future taxation.

APPENDIX C

SELECTED FINANCIAL INFORMATION FOR YEARS ENDED DECEMBER 31, 2006-2010

The selected data presented on pages C-42 to C-48 under the section "Selected Financial Information" as of and for each of the years in the five year period ended December 31, 2010 are derived from the financial statements of the Borough of Prospect Park. The excerpts from the financial statements as of December 31, 2009 and the Independent Auditor's Report thereon are included in the previous section.

Comparative Balance Sheet

Current Fund

December 31,

	Unaudited 2010	2009	2008	2007	2006
<u>Assets</u>					
Current Fund:					
Cash	1,624,110.04	924,993.66	1,154,518.87	1,580,272.52	1,323,708.52
Change Fund	75.00	75.00	75.00	75.00	75.00
	<u>1,624,185.04</u>	<u>925,068.66</u>	<u>1,154,593.87</u>	<u>1,580,347.52</u>	<u>1,323,783.52</u>
Receivables and Other Assets with Full Reserves:					
Delinquent Taxes Receivable	267,834.07	317,447.42	358,742.69	236,871.03	206,970.32
Tax Title Liens	19,803.08	55,877.74	11,135.35	9,424.77	8,714.85
Property Acquired for Taxes - Assessed Valuation	250.00	250.00	250.00	250.00	250.00
Revenue Accounts Receivable	808.99	808.99	137,219.00	50,000.00	
Interfund Receivables	53,591.38	25,782.21	11,632.07	39,166.15	38,144.68
	<u>342,287.52</u>	<u>400,166.36</u>	<u>518,979.11</u>	<u>335,711.95</u>	<u>254,079.85</u>
Deferred Charges:					
Emergency Authorizations		30,000.00		50,000.00	32,000.00
Special Emergency Authorizations	2,977.00	5,954.00	8,931.00	11,908.00	14,885.00
	<u>1,969,449.56</u>	<u>1,361,189.02</u>	<u>1,682,503.98</u>	<u>1,977,967.47</u>	<u>1,624,748.37</u>
Federal and State Grant Fund:					
Cash	158,490.09	144,761.24	148,717.42	182,035.62	207,384.68
Grants Receivable	159,222.94	173,000.94	158,155.96	201,322.92	246,454.92
Interfunds Receivable			1,741.64		
	<u>317,713.03</u>	<u>317,762.18</u>	<u>308,615.02</u>	<u>383,358.54</u>	<u>453,839.60</u>
Total Assets	<u>2,287,162.59</u>	<u>1,678,951.20</u>	<u>1,991,119.00</u>	<u>2,361,326.01</u>	<u>2,078,587.97</u>

Comparative Balance Sheet

Current Fund

December 31,

	Unaudited <u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>Liabilities, Reserves and Fund Balance</u>					
Current Fund:					
Appropriation Reserves	410,700.30	351,448.84	329,323.36	439,871.47	246,035.11
Encumbrances Payable	67,588.26	74,533.15	218,569.41	81,499.82	133,890.86
Prepaid Taxes	36,638.24	27,383.61	46,063.83	32,305.32	26,830.04
Due to State of New Jersey:					
Senior Citizen and Veteran Deductions	2,111.95	386.95	2,886.95	3,886.95	5,386.95
Interfunds Payable	15,061.82		1,741.64		4,242.04
Accounts Payable	88,121.00	69,921.00	40,773.00	12,606.24	
Regional High School Taxes Payable				202,988.33	
Due to County Added Taxes				3,492	
Tax Overpayments				4,414.11	4,626.87
Due to State of New Jersey:					
Marriage Surcharge	400.00	200.00	200.00	325.00	275.00
Building Surcharge	250.00	422.00			
Tax Anticipation Note	300,000.00				
Reserve for:					
Legislative Initiative Block Grant					
Tilcon Settlement	74,071.42	81,503.92	136,403.92	137,270.92	142,155.09
Redemption of Outside Liens	36,170.55	24,576.14	6,736.90		
Master Plan Update			17,200.00	17,200.00	17,200.00
	<u>1,031,113.54</u>	<u>630,375.61</u>	<u>799,899.01</u>	<u>935,860.49</u>	<u>580,641.96</u>
Reserve for Receivables	342,287.52	400,166.36	518,979.11	335,711.95	254,079.85
Fund Balance	<u>596,048.50</u>	<u>330,647.05</u>	<u>363,625.86</u>	<u>706,395.03</u>	<u>790,026.56</u>
	<u>1,969,449.56</u>	<u>1,361,189.02</u>	<u>1,682,503.98</u>	<u>1,977,967.47</u>	<u>1,624,748.37</u>
Federal and State Grant Fund:					
Interfunds Payable	51,865.77	13,371.43		28,103.00	24,639.99
Appropriated Reserve for Grants	103,980.38	151,905.35	159,236.16	207,287.13	296,155.70
Unappropriated Reserve for Grants	161,866.88	152,485.40	149,378.86	147,968.41	133,043.91
	<u>317,713.03</u>	<u>317,762.18</u>	<u>308,615.02</u>	<u>383,358.54</u>	<u>453,839.60</u>
Total Liabilities, Reserves and Fund Balance	<u>2,287,162.59</u>	<u>1,678,951.20</u>	<u>1,991,119.00</u>	<u>2,361,326.01</u>	<u>2,078,587.97</u>

Borough of Prospect Park, N.J.

Comparative Statement of Operations and Changes in Fund Balance

Current Fund

Year Ended December 31,

	<u>Unaudited 2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues and Other Income:					
Fund Balance Utilized	285,000.00	200,000.00	551,000.00	590,000.00	700,000.00
Miscellaneous Revenue Anticipated	1,378,939.81	1,374,383.36	1,257,695.71	1,236,740.18	1,277,550.92
Receipts from Delinquent Taxes	348,200.71	342,600.46	235,619.07	193,449.18	110,466.79
Receipts from Current Taxes	10,825,342.92	10,320,313.22	10,038,948.08	9,230,708.21	8,706,834.12
Non-Budget Revenue	95,793.74	84,003.10	72,132.99	144,891.87	178,692.05
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	263,086.41	181,280.83	224,728.30	138,207.02	98,077.01
Cancellation of Accounts Payable			3,529.24		7,799.78
Cancellation of Tax OverPayments			4,438.90		
Statutory Excess in Dog License Fund	1,616.00	510.80	1,653.40		225.25
Interfunds Returned		11,632.07	39,166.15	38,144.68	19,525.39
Total Revenues and Other Income	<u>13,197,979.59</u>	<u>12,514,723.84</u>	<u>12,428,911.84</u>	<u>11,572,141.14</u>	<u>11,099,171.31</u>
Expenditures:					
Budget and Emergency Appropriations:					
Operations :					
Salaries and Wages	2,141,311.33	2,145,266.88	2,071,321.00	1,992,489.00	1,931,421.00
Other Expenses	2,175,171.67	2,002,858.57	2,230,715.05	2,149,387.52	2,025,977.02
Deferred Charges and Statutory Expenditures -					
Municipal	322,541.14	277,399.00	142,077.00	118,377.00	154,250.00
Capital Improvement Fund	5,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Municipal Debt Service	411,916.63	363,392.12	375,546.22	355,288.46	356,477.01
Local District School Tax	2,679,218.00	2,602,699.00	2,585,517.50	2,586,043.00	2,493,295.22
Regional High School Tax	2,757,676.08	2,732,253.67	2,571,297.45	1,894,323.61	1,784,374.90
County Taxes including Added Taxes	2,123,352.91	2,208,051.20	2,212,574.72	1,960,401.70	1,805,863.59
Refund of Prior Year's Revenue	3,581.21			296.23	1,076.18
Interfund Advances	27,809.17	25,782.21	11,632.07	39,166.15	38,144.68
Total Expenditures	<u>12,647,578.14</u>	<u>12,377,702.65</u>	<u>12,220,681.01</u>	<u>11,115,772.67</u>	<u>10,610,879.60</u>
Excess (Deficit) Revenue Over Expenditures	550,401.45	137,021.19	208,230.83	456,368.47	488,291.71
Adjustment to Income Before Fund Balance - Expenditures					
Included above Which are by Statute Deferred					
Charges to Budget of Succeeding Year		30,000.00		50,000.00	46,885.00
Statutory Excess to Fund Balance	550,401.45	167,021.19	208,230.83	506,368.47	535,176.71
Fund Balance, January 1,	<u>330,647.05</u>	<u>363,625.86</u>	<u>706,395.03</u>	<u>790,026.56</u>	<u>954,849.85</u>
	881,048.50	530,647.05	914,625.86	1,296,395.03	1,490,026.56
Decreased by:					
Fund Balance Utilized as Budget Revenue	285,000.00	200,000.00	551,000.00	590,000.00	700,000.00
Fund Balance, December 31,	<u>596,048.50</u>	<u>330,647.05</u>	<u>363,625.86</u>	<u>706,395.03</u>	<u>790,026.56</u>

Borough of Prospect Park, N.J.

Comparative Balance Sheet

Trust Funds

December 31,

	Unaudited 2010	2009	2008	2007	2006
<u>Assets</u>					
Animal Control Fund:					
Cash	7,334.73	6,574.40	4,363.80	2,019.06	2,434.05
Operating Deficit	<u>7,334.73</u>	<u>6,574.40</u>	<u>4,363.80</u>	<u>2,019.06</u>	<u>2,434.05</u>
Other Trust Funds:					
Cash	118,990.73	138,534.74	144,006.70	149,287.32	92,387.01
Interfunds Receivable	<u>15,061.82</u>				
	<u>134,052.55</u>	<u>138,534.74</u>	<u>144,006.70</u>	<u>149,287.32</u>	<u>92,387.01</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited):					
Cash in Plan	239,411.77	207,211.77	134,862.65	195,608.77	152,169.50
Contributions Receivable		<u>32,200.00</u>	<u>31,050.00</u>	<u>28,750.00</u>	<u>29,900.00</u>
	<u>239,411.77</u>	<u>239,411.77</u>	<u>165,912.65</u>	<u>224,358.77</u>	<u>182,069.50</u>
 Total Assets	 <u>380,799.05</u>	 <u>384,520.91</u>	 <u>314,283.15</u>	 <u>375,665.15</u>	 <u>276,890.56</u>
 <u>Liabilities, Reserves & Fund Balance</u>					
Animal Control Fund:					
Due to State Department of Health		105.40	175.60	134.20	332.80
Interfunds Payable	1,634.93	2,164.00	1,653.20	7.46	225.25
Reserve for Animal Control Fund Expenditures	<u>5,699.80</u>	<u>4,305.00</u>	<u>2,535.00</u>	<u>1,877.40</u>	<u>1,876.00</u>
	<u>7,334.73</u>	<u>6,574.40</u>	<u>4,363.80</u>	<u>2,019.06</u>	<u>2,434.05</u>
Other Trust Fund:					
Payroll Deductions Payable		7,727.32	1,813.86	1,491.20	
Interfunds Payable		10,246.78	9,469.65	10,724.21	10,256.74
Reserve for:					
Unemployment Insurance	12,972.04	25,079.02	28,319.36	21,353.24	5,340.88
Escrow Deposits	47,756.01	46,848.51	45,646.01	64,891.10	37,541.10
Premium on Tax Sale	25,000.00		2,200.00	2,200.00	2,200.00
Donations - Police	11,360.99	11,360.99	11,360.99	11,360.99	11,360.99
Uniform Fire Safety Penalty Funds	4,639.92	4,340.27	3,393.56	2,598.32	1,215.54
Street Opening Deposits	1,470.00	1,470.00	1,470.00	1,470.00	1,470.00
Public Defender Fees	9,382.17	11,306.43	15,303.20	12,818.45	7,781.95
Donations - Shooting Range	335.40	335.40	335.40	335.40	335.40
Accumulated Absences	3,900.00	3,900.00	9,300.00	6,200.00	3,100.00
Recreation	1,096.26	1,096.26	1,096.26	1,500.00	1,500.00
Municipal Court - P.O.A.A.	<u>16,139.76</u>	<u>14,823.76</u>	<u>14,298.41</u>	<u>12,344.41</u>	<u>10,284.41</u>
	<u>134,052.55</u>	<u>138,534.74</u>	<u>144,006.70</u>	<u>149,287.32</u>	<u>92,387.01</u>
Emergency Services Volunteer Length of Service Award Program (Unaudited):					
Net Assets Available for Benefits	239,411.77	239,411.77	165,912.65	224,358.77	182,069.50
	<u>239,411.77</u>	<u>239,411.77</u>	<u>165,912.65</u>	<u>224,358.77</u>	<u>182,069.50</u>
 Total Liabilities, Reserves & Fund Balance	 <u>380,799.05</u>	 <u>384,520.91</u>	 <u>314,283.15</u>	 <u>375,665.15</u>	 <u>276,890.56</u>

Borough of Prospect Park, N.J.

Comparative Balance Sheet

General Capital Fund

December 31,

	Unaudited <u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>Assets</u>					
Cash	465,026.04	641,974.95	289,236.36	393,168.12	508,378.70
Due from N.J. Department of Transportation	881,143.88	863,530.74	812,965.76	997,433.79	777,433.79
Due from N.J. Dept. Of Environmental Protection	5,394.12	5,394.12	5,394.12	5,394.12	5,394.12
Due from County of Passaic	80,000.00	80,000.00		100,000.00	100,000.00
Deferred Charges to Future Taxation:					
Funded	1,914,000.00	2,179,000.00	2,429,000.00	2,669,000.00	2,904,000.00
Unfunded	<u>1,214,020.00</u>	<u>1,255,070.00</u>	<u>912,170.00</u>	<u>912,170.00</u>	<u>851,170.00</u>
	<u>4,559,584.04</u>	<u>5,024,969.81</u>	<u>4,448,766.24</u>	<u>5,077,166.03</u>	<u>5,146,376.61</u>
<u>Liabilities, Reserves and Fund Balance</u>					
Interfunds Payable	46.72				852.00
General Serial Bonds	1,914,000.00	2,179,000.00	2,429,000.00	2,669,000.00	2,904,000.00
Bond Anticipation Notes	1,050,600.00	1,091,650.00	748,750.00	748,750.00	
Improvement Authorizations:					
Funded	451,390.68	705,608.67	459,828.40	1,125,934.02	1,531,983.61
Unfunded	491,755.22	563,067.55	409,925.75	481,853.11	613,912.10
Capital Improvement Fund	36,751.00	31,751.00	35,851.00	19,851.00	19,851.00
Accounts Payable	583,262.52	422,114.69	333,633.19		
Reserve for:					
Preliminary Expenses	2,894.00	2,894.00	2,894.00	2,894.00	2,894.00
Debt Service	3,651.21	3,651.21	3,651.21	3,651.21	3,651.21
Purchase of Fire Truck					
Fund Balance	<u>25,232.69</u>	<u>25,232.69</u>	<u>25,232.69</u>	<u>25,232.69</u>	<u>69,232.69</u>
	<u>4,559,584.04</u>	<u>5,024,969.81</u>	<u>4,448,766.24</u>	<u>5,077,166.03</u>	<u>5,146,376.61</u>

Borough of Prospect Park, N.J.
Statement of Changes in Fund Balance

General Capital Fund

Year Ended December 31, 2000

	Unaudited <u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Balance - January 1,	25,232.69	25,232.69	25,232.69	69,232.69	578.83
Increased by:					
Funded Improvement Authoriztion Cancelled	<u>25,232.69</u>	<u>25,232.69</u>	<u>25,232.69</u>	<u>69,232.69</u>	<u>162,653.86</u>
					<u>163,232.69</u>
Decreased by:					
Appropriated to Finance Improvement Auth.	<u></u>	<u></u>	<u></u>	<u>44,000.00</u>	<u>94,000.00</u>
Balance - December 31,	<u><u>25,232.69</u></u>	<u><u>25,232.69</u></u>	<u><u>25,232.69</u></u>	<u><u>25,232.69</u></u>	<u><u>69,232.69</u></u>

Borough of Prospect Park , N.J.

Balance Sheet

Public Assistance Fund

December 31,

	Unaudited <u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>Assets</u>					
Cash	8,445.76	8,401.80	8,911.02	12,492.28	11,563.50
	<u>8,445.76</u>	<u>8,401.80</u>	<u>8,911.02</u>	<u>12,492.28</u>	<u>11,563.50</u>
<u>Liabilities</u>					
Reserve for Public Assistance	8,401.80	8,401.80	8,401.80	12,160.80	9,392.80
Interfunds Payable	43.96		509.22	331.48	2,170.70
	<u>8,445.76</u>	<u>8,401.80</u>	<u>8,911.02</u>	<u>12,492.28</u>	<u>11,563.50</u>

APPENDIX D

FORM OF

CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE is made as of April __, 2011 by the Borough of Prospect Park, County of Passaic, New Jersey, a political subdivision duly organized under the laws of the State of New Jersey (the "Issuer").

WITNESSETH:

WHEREAS, the Issuer is issuing its General Improvement Bonds, Series 2011 dated April __, 2011 in the aggregate principal amount of \$1,110,000 (the "Bonds") on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to bond ordinances adopted by the Issuer and a certificate signed by the Issuer on March __, 2011; and

WHEREAS, the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented (codified on the date hereof at 15 U.S.C. 77 *et seq.*) (the "Securities Exchange Act") has adopted amendments to its Rule 15c2-12 (codified at 17 C.F.R. § 240.15c2-12) ("Rule 15c2-12") effective July 3, 1995 which generally prohibit a broker, dealer, or municipal securities dealer from purchasing or selling municipal securities, such as the Bonds, unless such broker, dealer or municipal securities dealer has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to the Municipal Securities Rulemaking Board; and

WHEREAS, the Issuer represented in its Notice of Sale dated March __, 2011 (the "Notice of Sale") that it would deliver on the closing date for the Bonds a "Continuing Disclosure Certificate" pursuant to which the Issuer will agree to provide certain financial and operating data, and timely notice of certain material events required to be disclosed on a continual basis pursuant to Rule 15c2-12; and

WHEREAS, on March __, 2011, the Issuer accepted the bid of _____, on behalf of itself and each of the original underwriters for the Bonds (the "Participating Underwriter") for the purchase of the Bonds; and

WHEREAS, the execution and delivery of this Certificate has been duly authorized by the Issuer and all conditions, acts and things necessary and required to exist, to have happened, or to have been performed precedent to and in the execution and delivery of this Certificate, do exist, have happened and have been performed in regular form, time and manner; and

WHEREAS, the Issuer is executing this Certificate for the benefit of the Holders of the Bonds.

NOW, THEREFORE, for and in consideration of the premises and of the mutual representations, covenants and agreements herein set forth, the Issuer, its successors and assigns, do mutually promise, covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Terms Defined in Recitals. The following terms shall have the meanings set forth in the recitals hereto:

Bonds	Participating Underwriter
Issuer	Rule 15c2-12
Notice of Sale	SEC
	Securities and Exchange Act

Section 1.2 Additional Definitions. The following additional terms shall have the meanings specified below:

“Annual Report” means Financial and Operating Data.

“Bondholder” or “holder” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bonds.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York or in Newark, New Jersey are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

“Disclosure Event” means any event described in subsection 2.1(b) of this Certificate.

“Disclosure Event Notice” means the notice to the MSRB as provided in subsection 2.2.

“Disclosure Representative” means the Board Secretary of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate from time to time.

“Dissemination Agent” means an entity acting in such capacity under this Certificate or any other successor entity designated in writing by the Issuer and which has filed a written acceptance of such designation.

“Final Official Statement” means the final Official Statement of the Issuer dated March __, 2011 pertaining to the Bonds.

“Financial and Operating Data” means audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing) of the Issuer and certain financial information and operating data of the Issuer of the type included in the Final Official Statement contained in Appendices A and B.

"Fiscal Year" means the fiscal year of the Issuer. As of the date of this Certificate, the Fiscal Year of the Issuer begins on January 1 and closes on December 31 of the next succeeding calendar year.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

Section 1.3 Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number mean the corresponding Articles and Sections of this Certificate. The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms as used in this Certificate, refer to this Certificate as a whole unless otherwise expressly stated.

As the context shall require, the disjunctive term "or" shall be interpreted conjunctively as required to insure that the Issuer performs any obligations, mentioned in the passage in which such term appears.

The headings of this Certificate are for convenience only and shall not defined or limit the provisions hereof.

ARTICLE II

CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

Section 2.1 Continuing Disclosure Covenants of the Issuer. The Issuer agrees that it will provide, or shall cause the Dissemination Agent to provide:

- (a) Upon request to any person, the Annual Report.
- (b) In a timely manner not in excess of ten business days following the occurrence of any of the Disclosure Events (hereinafter defined), to the MSRB, notice of any of the following events with respect to the Bonds (each, a "Disclosure Event");
 - (i) principal and interest delinquencies;
 - (ii) non-payment related defaults, if material;
 - (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders; if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) In a timely manner, to the MSRB, notice of a failure by the Issuer to provide the Annual Report within the period described in subsection 2.1(a) hereof.

Section 2.2 Responsibilities, Duties, Immunities and Liabilities of the Dissemination Agent.

If the Issuer or the Dissemination Agent (if one has been appointed or engaged by the Issuer) has determined it necessary to report the occurrence of a Disclosure Event, the Issuer or Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a notice of such occurrence with the MSRB (the "Disclosure Event Notice") in the form provided by the Issuer.

Section 2.3 Appointment, Removal and Resignation of the Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such

Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this subsection shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(c) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Issuer. Such resignation shall take effect on the date specified in such notice.

ARTICLE III

DISCLOSURE DEFAULT AND REMEDIES

Section 3.1 Disclosure Default. The occurrence and continuation of a failure or refusal by the Issuer to observe, perform or comply with any covenant, condition or agreement on its part to be observed or performed in this Certificate and such failure or refusal shall remain unsecured for a period of thirty (30) days shall constitute a Disclosure Default hereunder.

Section 3.2 Remedies on Default.

(a) Any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the Issuer and of the officers, agents and employees of the Issuer which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Issuer under this Certificate and may compel the Issuer or any such officers, agents, or employees, except of the Dissemination Agent, to perform and carry out their duties under this Certificate; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

(b) In case any Bondholder shall have proceeded to enforce its rights under this Certificate and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to any Bondholder, then and in every such case the Issuer and any Bondholder shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer and any Bondholder shall continue as though no such proceeding had been taken.

(c) A default under this Certificate shall not be deemed a default under the Bonds, and the sole remedy under this Certificate in the event of any failure or refusal by the Issuer to comply with this Certificate shall be as set forth in subsection 3.2(a) of this Certificate.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Purposes of the Continuing Disclosure Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2 Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from (a) disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or (b) including any other information in any Annual Report or any Disclosure Event Notice, in addition to that which is required by this Certificate. If the Issuer chooses to include information in any Annual Report or any Disclosure Event Notice in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or any future Disclosure Event Notice.

Section 4.3 Notices. All notices or requests for the Annual Report or Disclosure Event Notice shall be in writing and shall be sent by registered or certified mail to the Issuer, Municipal Building, 106 Brown Avenue, Prospect Park, New Jersey 07508 Attention: Chief Financial Officer.

Section 4.4 Severability. If any provision of this Certificate shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.5 Amendments, Changes and Modifications.

(a) Without the consent of any Bondholders, the Issuer at any time and from time to time may enter into any amendments or modifications to this Certificate for any of the following purposes:

- (i) to add to covenants and agreements of the Issuer hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Issuer by this Certificate;
- (ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting the Issuer; provided that any such modification shall comply with the requirements of Rule 15c2-12 as then in effect at the time of such modification; or

- (iii) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Certificate which, in each case, comply with Rule 15c2-12 as then in effect at the time of such modification.

provided, that prior to approving any such amendment or modification, the Issuer determines that such amendment or modifications does not adversely affect the interests of the Holders of the Bonds in any material respect.

(b) Upon entering into any amendment or modification required or permitted by this Certificate, the Issuer shall deliver, or cause the dissemination Agent to deliver, to the MSRB written notice of any such amendment or modification.

(c) The Issuer shall be entitled to rely exclusively upon an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.5.

Section 4.6 Amendments Required by Rule 15c2-12. The Issuer recognizes that the provisions of this Certificate are intended to enable the participating Underwriters to comply with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof, a change in this Certificate shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by any Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendment shall be permitted or necessary to assure continued compliance by the Participating Underwriter with Rule 15c2-12 as so amended or interpreted, then the Issuer shall amend this Certificate to comply with and be bound by any such amendment to this Certificate to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.5(b) hereof.

Section 4.7 Governing Law. This Certificate shall be governed exclusively by and construed in accordance with the applicable laws of the State of New Jersey.

Section 4.8 Termination of Issuer's Continuing Disclosure Obligations. The continuing obligation of the Issuer under Section 2.1 hereof to provide the Annual Report and any Disclosure Event Notice and to comply with the other requirements of said Section shall terminate if and when either (a) the Bonds are no longer outstanding or (b) the Issuer no longer remains an "obligated person" (as defined in Rule 15c2-12(f)(10) with respect to the Bonds in either event, only after the Issuer delivers, or causes the Dissemination Agent to deliver, to the MSRB written notice to such effect. This Certificate shall be in full force and effect from the date hereof and shall continue in effect so long as any Bonds are Outstanding.

Section 4.9 Binding Effect. This Certificate shall inure to the benefit of and shall be binding upon the Issuer and its successors and assigns.

IN WITNESS WHEREOF, THE BOROUGH OF PROSPECT PARK, COUNTY OF PASSAIC, NEW JERSEY has caused this Certificate to be executed in its name and its corporate seal to be hereunto affixed, all as of the date first above written.

[SEAL]

**BOROUGH OF PROSPECT PARK,
COUNTY OF PASSAIC, NEW JERSEY**

By: _____
Stephen P. Sanzari
Chief Financial Officer

APPENDIX E
FORM OF
APPROVING LEGAL OPINION

[FORM OF OPINION OF GIBBONS P.C.]

April __, 2011

Mayor and Borough Council
Borough of Prospect Park
106 Brown Avenue
Prospect Park, New Jersey 07508

Dear Mayor and Council Members:

We have examined certified copies of the proceedings of the Council of the Borough of Prospect Park, in the County of Passaic, State of New Jersey (the "Borough"), including ordinances, affidavits and certificates delivered by officials of the Borough, and other proofs submitted to us relative to the issuance and sale by the Borough of its \$1,110,000 General Improvement Bonds, Series 2011 (the "Bonds"), dated the date of delivery.

The Bonds are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes (the "Local Bond Law"), a resolution of the Borough adopted February 28, 2011 (the "Resolution") and various bond ordinances of the Borough, in all respects duly adopted by the Council of the Borough (the "Bond Ordinances").

Each of the Bonds is dated the date of delivery, bears interest at the interest rate set forth on the cover page of the Official Statement relating to the Bonds and matures on the dates and in the principal amounts as set forth below:

<u>Date</u>	<u>Principal Amount</u>
April 1, 2012	\$ 70,000
April 1, 2013	70,000
April 1, 2014	70,000
April 1, 2015	70,000
April 1, 2016	70,000
April 1, 2017	70,000
April 1, 2018	70,000
April 1, 2019	115,000
April 1, 2020	120,000
April 1, 2021	125,000
April 1, 2022	130,000
April 1, 2023	130,000

The Bonds are subject to redemption prior to maturity.

We have examined the Local Bond Law and such other laws and originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents as we deem necessary to render the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Local Bond Law, and other applicable provisions of law, and that the Bonds have been duly authorized, executed and delivered and are a valid and legally binding obligation of the Borough.

2. The Borough has the power and is obligated to levy ad valorem taxes upon all the taxable property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

3. Under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

4. Under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

With respect to our Federal income tax opinion, we note that the Code imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in

order for interest on the Bonds to be excluded from gross income for Federal income tax purposes under Section 103 of the Code. The Borough has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or permit any action to be taken which would cause the interest on the Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code. We have assumed continuing compliance by the Borough with the above covenants in rendering our opinion with respect to the exclusion of interest on the Bonds from gross income for Federal income tax purposes and with respect to interest on the Bonds not constituting an item of tax preference.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the Borough other than the certified copies of the proceedings and proofs hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said Bonds.

Our opinion concerning the enforceability of the Bonds is subject to federal and state laws regarding bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally (including, without limitation, laws relating to fraudulent conveyance, and by general principles of law and equity (regardless of whether enforcement is considered or sought in proceedings at law or in equity) and by limitation on remedial rights under applicable law). Their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions stated herein are based upon current authorities, and there can be no assurance that future legislative or administrative changes or court decisions will not affect said opinions. We undertake no obligation to inform you of any matter occurring after the date of this letter which affects in any way the opinion given herein.

Except as stated above, we express no opinion as to any Federal or state tax consequences with respect to the Bonds.

Very truly yours,

GIBBONS P.C.